

MAR 27 1944

CHARLES ELMORE GROPLEY
CLERK

IN THE
Supreme Court of the United States

OCTOBER TERM, A. D. 1943.

No. 817

RAYMOND E. BEEGLE, DOING BUSINESS AS BEEGLE TIE
SERVICE COMPANY,

Petitioner,

vs.

CHARLES M. THOMPSON, AS TRUSTEE FOR CHI-
CAGO & NORTH WESTERN RAILWAY COMPANY,
AND SHARON STEEL CORPORATION,

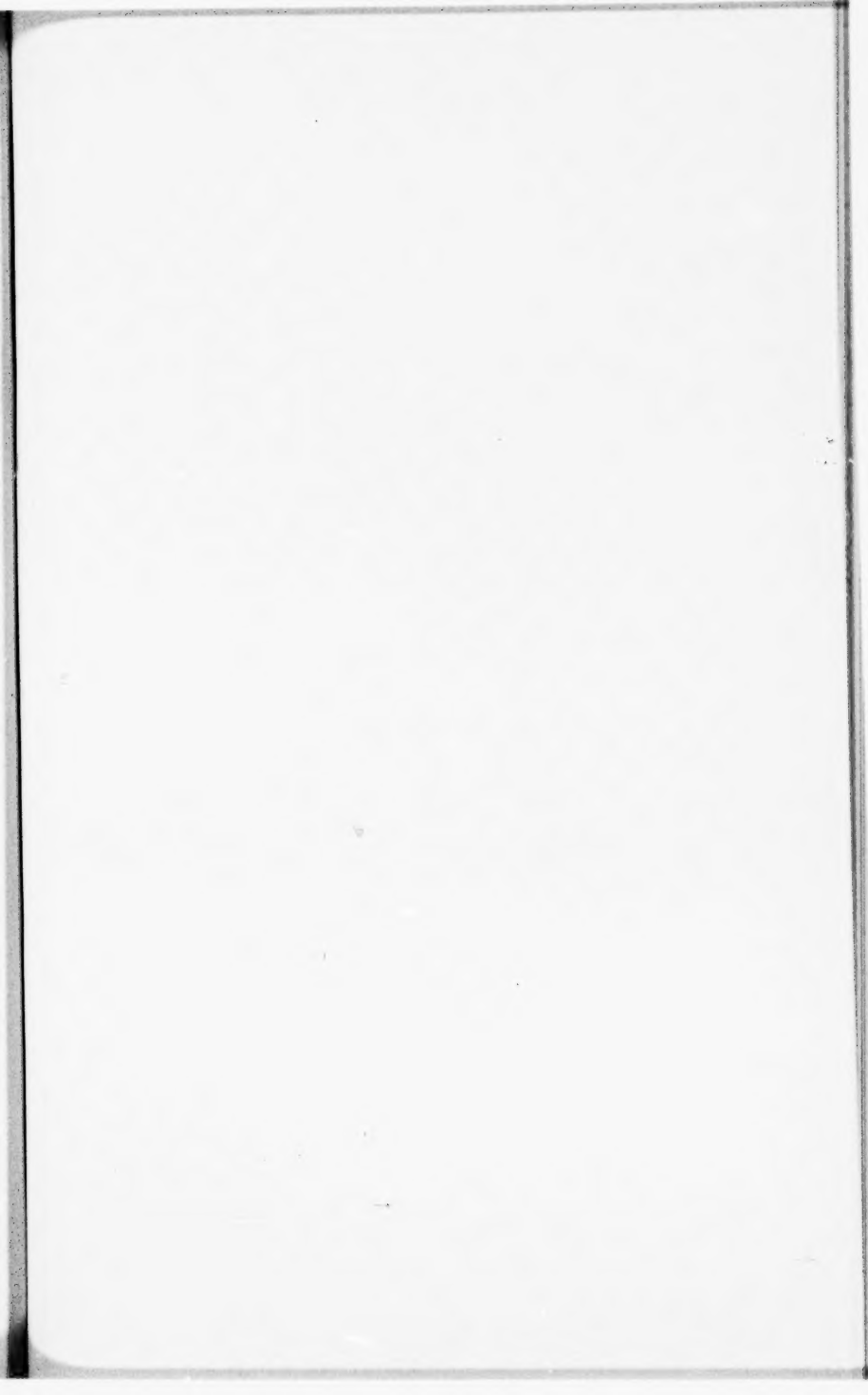
Respondents.

**PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES
CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT
AND BRIEF IN SUPPORT OF PETITION.**

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vs.

CHARLES M. THOMPSON, AS TRUSTEE FOR CHI-
CAGO & NORTH WESTERN RAILWAY COMPANY,
AND SHARON STEEL CORPORATION,

Respondents.

PETITION FOR WRIT OF CERTIORARI.

*To the Honorable, the Chief Justice and Associate Justices
of the Supreme Court of the United States:*

Your petitioner, Raymond E. Beegle, respectfully prays
the grant of the Writ of Certiorari to the Circuit Court of
Appeals for the Seventh Circuit to review a judgment of
that Court.

I.

Statement of Matter Involved.

This suit started as a patent infringement controversy
against both respondents,¹ but later developed into a suit
against respondent Sharon Steel alone for breach of con-

¹ The respondent Thomson has died since suit was instituted.

tract, unfair competition, and damages suffered by the petitioner for the respondent Sharon Steel's alleged practice of getting petitioner's railroad customers by using its steel tonnage shipments as a sales lever. More specifically, the case against respondent Sharon Steel involves patent infringement and breach of a contract which in part indicates what constitutes an infringement of the patent and which contains an acknowledgment of validity of the patent. The case further involves the right of the petitioner to a trial of causes of action based on Sections 15 and 2 of 15 United States Code, the anti-trust laws, and for unfair competition. The Circuit Court of Appeals narrowed the patent claims in suit without considering the effect of the contract upon the court's right to so narrow the claims. The Circuit Court of Appeals further said that the test of infringement of the patent constitutes the test of breach of the contract. Patent infringement and breach of contract were tried on the merits and decided by both the trial court and the Circuit Court of Appeals for the respondents. The Circuit Court of Appeals also affirmed the granting of a Motion for Summary Judgment as to the unfair competition and as to the anti-trust law charges on the ground that the Complaint did not definitely set forth petitioner's damages, although the trial court had granted the Motion for Summary Judgment on the ground that "the plaintiff has no possibility of establishing the case he pleads * * *". The Circuit Court of Appeals did not authorize petitioner to amend.

A. The Complaint and Answer.

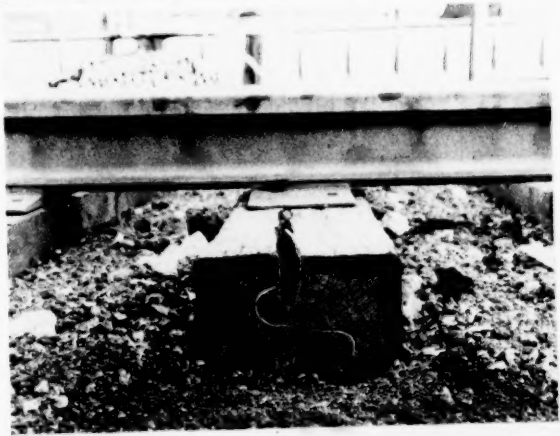
Petitioner, as plaintiff, in his Amended Complaint (R. 2-4), charges the respondent Sharon Steel as manufacturer, and the respondent Thomason, trustee, etc., as users, with infringement of claims 1, 2, 3, 4, and 7 of patent No. 1,737,908. The respondents denied these allegations (R. 5-14). In his first Amendment to the Amended Complaint, petitioner added Counts II and III. Count II sets up a Settlement Agreement executed by the petitioner and a company called the Sharon Railway Supply Company (R. 560). In this agreement the parties "mutually agreed" that "a certain order of five hundred thousand (500,000) Anti-Split Devices for Cross Ties * * * were infringements of said Letters Patent;" (R. 560) and the Sharon Railway Supply Company "acknowledges the validity of said Letters Patent No. 1,737,908 and agrees hereafter to observe and respect the same and to cease from and refrain from further infringement thereof;" (R. 561). Count II further charges that "This contract * * * is binding upon the defendant, Sharon Steel Corporation, which purchased all of the rights and liabilities of the Sharon Railway Supply Company * * *" (R. 15). Count III charges respondent Sharon Steel with certain acts of unfair competition. The respondent Sharon Steel denied these allegations (R. 19-22).

B. Pre-Trial Depositions.

The petitioner took several depositions in advance of trial. These depositions established the following facts which are not controverted unless otherwise indicated.

The Sharon Railway Supply Company manufactured tie irons (R. 83). A tie iron is a strip of 13 gauge steel having a bevelled edge called the entering edge and a

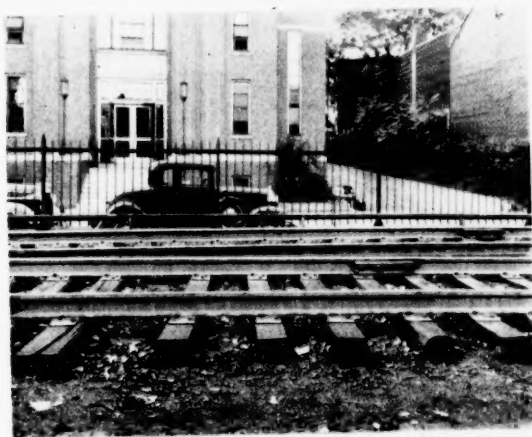
blunt edge called the driving edge and prior to petitioner's invention was bent to either a "C" or an "S" configuration. A tie iron is driven into the end of a tie prior to seasoning in order to prevent splitting, thus:



The respondent Sharon Steel supplied the steel for these tie irons. The Sharon Railway Supply Company was in arrears on its steel account with the respondent Sharon Steel (R. 837-845). This arrearage amounted to 64% of the total assets of the Sharon Railway Supply Company in 1935 (Ex. 6, R. 575). The Sharon Railway Supply Company audit for 1933 said, "as mentioned on several previous quarterly statements, there is no working capital, the company being financed by one large creditor" (Ex. 18, R. 620). Half of the stock of the Sharon Railway Supply Company was owned by Mrs. Bertha Lloyd (Shaughnessy), president, and the other half was owned by Joseph Jones, manager of the company (R. 116). The company had two workmen, Howard William Wellman and George Edwin Wellman (R. 83 and 99).

In 1934 and thereafter, the Pennsylvania Railroad was purchasing most of its tie iron requirements from the peti-

tioner (R. 338). The petitioner was supplying his patented shape of iron thus:



The respondent Sharon Steel had a sales office in the Broadstreet Station Building in Philadelphia, Pennsylvania (R. 418). In this same building was the purchasing department of the Pennsylvania Railroad. The respondent Sharon Steel's sales office was managed by a man named Baker (R. 417) and had a salesman named Buterbaugh (R. 418). The purchasing department of the Pennsylvania Railroad was under the general management of Lamneck (R. 232) and steel purchases were handled by Owen (R. 232). On February 2, 1935, the Sharon Railway Supply Company wrote Lamneck a letter, the first sentence of which is, "We assume that you know we can make 'Beegle' irons; yes sir", just the same in every respect, except cheaper than any other manufacturer" (Ex. 28, R. 635). Owen wrote above the word "Beegle", "#3 Saffie".¹

On February 25th, 1935, the Pennsylvania Railroad ordered 500,000 "Saf-Tie" irons from the Sharon Railway

¹ Saf-Tie is petitioner's trademark (R. 356).

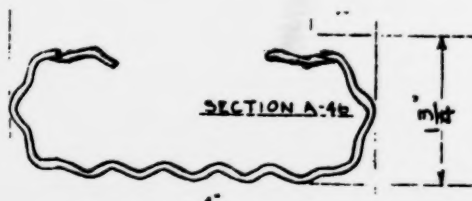
Supply Company (Exs. 34 and 35, R. 647, 649) and Ex. 27-2, R. 633). On February 26th, Owen placed a footnote star adjacent the word "Saf-Tie" (Ex. 28, R. 635), and at the bottom of the letter wrote, "Sharon Steel Hoop Co reply to telegram their Phila office 2-26". SHARON STEEL HOOP CO. was the name of the respondent Sharon Steel prior to 1937. The Sharon Railway Supply Company had no Philadelphia office. On or before March 15th, 1935, 500,000 of the following irons were delivered by the Sharon Railway Supply Company to the Pennsylvania Railroad (Ex. 3, R. 563 and R. 631).



On April 12, 1935, Harris, general storekeeper of the Pennsylvania Railroad, wrote Lamneck concerning these 500,000 tie irons (Ex. 27-2, R. 633). This letter said, "These irons were not shaped like the No. 3 Saftie irons. Any additional irons offered in lieu of No. 3 Saftie irons should be rejected if they are not of the proper design. Print of Saftie iron is attached hereto. Sample of 'Sharon' iron was given to Mr. Owen. In this connection, we forwarded you requisition 1-B-5035-FJ covering 5 items of Saftie irons, all of which are to be furnished as per print attached." Mr. Owen got this letter and struck out his own name and substituted "& Mr. Buterbaugh—Sharon Steel Hoop 1481", plus shorthand notes (R. 256-257). "1481" is the room address of the respondent Sharon Steel's office in Philadelphia (Ex. 27-1, R. 631).

On April 17, 1935, Lamneck wrote Sharon Railway Supply Company that the 500,000 irons "were not 'Saftie' irons but what you call a 'Sharon' iron. * * * Print of Saftie irons is attached and sample of Sharon iron was given to Mr. Buterbaugh of the Sharon Steel Hoop Co." (R. 631). A copy of this letter was sent to the Philadelphia office of the respondent Sharon Steel (R. 258).

On April 21, 1935, the petitioner orally charged Jones of the Sharon Railway Supply Company in Sharon, Pennsylvania, with infringement of the patent in suit (R. 324). On April 26th Sharon Railway Supply Company submitted to the Pennsylvania Railroad for approval (Exs. M, N, O-1 and O-2, R. 813-814), this crinkled "C" iron (R. 767):



Respondent Sharon Steel crinkled the steel for these irons (R. 152). On April 27, 1935, petitioner in writing charged both the Sharon Railway Supply Company and the Pennsylvania Railroad with infringement of the patent in suit (R. 609). At this time petitioner knew nothing of the Respondent Sharon Steel's participation in getting the orders for the 500,000 irons in question (R. 323).

On May 1, 1935, Lamneck wrote the Sharon Railway Supply Company a letter (R. 608) containing this paragraph:

"We are in receipt of a copy of letter * * * advising your company that you are infringing * * *. Doubtless you are aware that we placed orders with your company for some of these particular type of anchors.

* * * The question of patent in connection with this order was raised and we were informed that no patent litigation would obtain and under the circumstances we are looking to your company to hold us harmless in the fulfilling of these orders. Please advise if you are continuing to manufacture these particular irons for future consideration on our part."

The Supply Company did not fill the second order mentioned in Ex. 27-2 (R. 633) as 1-B-5035-FJ (R. 236), although the Saftie print and unsatisfactory iron were delivered to Buterbaugh of Sharon Steel (R. 258) to enable the Supply Company to fill this order properly (Exs. 27-1, 27-2, R. 631 and 633). Lamneck testified that all negotiations relating to the sale were conducted orally (R. 233), and Owen testified that he did not meet Jones of the Sharon Railway Supply Company until late in 1936 (R. 269).

On June 19, 1935, the Supply Company authorized its attorneys to settle petitioner's charge (Ex. 16, R. 600). On June 20, 1935, the Sharon Railway Supply Company sent bags of crinkled "C" irons to the Pennsylvania Railroad and said that "Sharon Steel Hoop Co. officials would come over to Orville to experiment with them" (R. 813). The Sharon Railway Supply Company signed the Settlement Agreement on July 6, 1935 (Ex. 1, R. 560), Jones and Mrs. (Lloyd) Shaughnessy signing for the Sharon Railway Supply Company, and paid \$250.00 damages for the infringement.

On July 30, 1935, the respondent Sharon Steel, took the New York Central tie iron account away from the Sharon Railway Supply Company (Ex. 13, R. 587). In explaining why the respondent Sharon Steel could do this, Jones said at R. 122, "The real reason was because the Sharon Steel Corporation was in shape to get the tonnage. Mr. Beegle knows that." Tonnage refers to the large dollar volume of shipments which the respondent Sharon Steel has to route over a railroad. Mr. Jones testified that the respond-

ent Sharon Steel got business from railroads by using tonnage as a lever to get business. Jones was shown a tonnage list prepared by his company (Exs. 21 and 22, R. 626), and he explained that these lists were given to McBride, traffic manager for the respondent Sharon Steel, in order that McBride "could go to those railroads and say to them, 'We have shipped so much tonnage over your road; if you have any "S" irons, give them to us'" (R. 150).

In September or October, 1936, Jones, manager of the Supply Company, and Galbreath and Evans, officers of the respondent Sharon Steel, entered into a verbal agreement to convey all of the assets of the Sharon Railway Supply Company to the respondent Sharon Steel on the understanding that Jones was to get \$1,000 for his 50 per cent stock interest in the Supply Company and Mrs. (Lloyd) Shaughnessy \$1,000 for her 50 per cent interest (R. 135 and 153). Mrs. (Lloyd) Shaughnessy could not find her stock certificate (R. 63). This verbal agreement was consummated by a Bill of Sale, dated November 16, 1936, whereby the respondent Sharon Steel paid \$10,077.45 for all of the assets except cash of the Sharon Railway Supply Company (Ex. B, R. 757). On November 24, 1936, the respondent Sharon Steel got a check back from the Supply Company for \$8,374.59 (Ex. 17, R. 617), to apply on its past due account. Jones and Mrs. (Lloyd) Shaughnessy each got \$1,000 (Ex. 12, R. 617 and Ex. 9, R. 580). The three Sharon Railway Supply Company employees, including Jones who signed the Settlement Agreement, were immediately employed by the respondent Sharon Steel (R. 93, 94, 101 and 102). All three were still so employed in the tie iron department of respondent Sharon Steel when the depositions were taken in August, 1941 (R. 83, 99, 112).

The Sharon Railway Supply Company's business was carried on as a going concern during and after the transfer

of assets (Thomas R. 442 and G. E. Wellman R. 102). For perhaps six weeks after November 16, 1936, the respondent Sharon Steel occupied the premises of the Supply Company and manufactured tie irons there (R. 97). The corporate liquidation of the Sharon Railway Supply Company was handled by respondent Sharon Steel's attorneys (R. 137), who received \$250.00 liquidation expenses from the Sharon Railway Supply Company (R. 80), part of which they disbursed as late as February 2, 1937 in a payment to the auditor for liquidation services (Ex. G, R. 769 and R. 80). The officer Jones of the Sharon Railway Supply Company signed a statement required by the laws of Pennsylvania that "All debts, obligations and liabilities of the corporation have been paid and discharged, or adequate provision has been made therefor" (R. 803), at the instruction of counsel for the respondent Sharon Steel (R. 129). Subsequent to November 16, 1936, the respondent Sharon Steel charged off additional indebtedness of the Sharon Railway Supply Company including liquidation tax payments made to the Commonwealth of Pennsylvania (Ex. W-5, R. 845). Jones testified that he did not tell the respondent Sharon Steel about the Settlement Agreement (R. 129).

All the official documents belonging to the Sharon Railway Supply Company, its correspondence, invoices, etc., were contained in a wooden filing cabinet (R. 131). The correspondence between the Sharon Railway Supply Company and petitioner was in a single folder which contained a copy of the Settlement Agreement (Ex. 16 and 16a, R. 587-615). Respondent Sharon Steel contends that these files belong to Jones, but the latter said at R. 131, "I took the records to the Sharon Steel Corporation office for safe-keeping. I had no place for them at home and wasn't going to be responsible for them." On cross-examination, however, he said the files were his (R. 146). These files were transferred to Sharon Steel's standard filing cases

at the Sharon Steel plant (R. 437) and placed in its locked vaults (R. 481). These files have been in the physical possession of either the defendant Sharon Steel or its attorneys since 1936.

C. Amendments to the Complaint.

After the depositions were completed, the petitioner filed his Second and Third Amendments to the Complaint (R. 157 and 224). By paragraph 10a (R. 224), Count II, the respondent Sharon Steel was charged to be "the real party in interest which compelled its debtor, Sharon Railway Supply Company, to take the order for the irons in 1935; or the Sharon Steel Corporation * * * procured or participated in procuring the order for the infringing irons." Paragraph 14f, Count III (R. 157), charged that "the defendant, Sharon Steel Corporation, is unfairly competing with the plaintiff in that it is using the amount of tonnage which it ships over the railroads as a means of selling anti-splitting irons and has been so far successful that in a period of a few years it has climbed from nothing to a dominant position in the industry." Count IV (R. 157) says that the defendant Sharon Steel Corporation "has compelled the Pennsylvania Railroad to purchase irons exclusively from the defendant Sharon Steel Corporation, without open bidding on each order" and "the plaintiff Beegle has been completely shut out from enjoying the business of the Pennsylvania Railroad," and makes a charge not raised in this Petition. Count V alleges two causes of action. The first cause of action set forth in paragraphs 17 and 18 (R. 157-158) is not involved in this Petition. The second cause of action in Count V is found in paragraphs 17 as amended, 19, (R. 225) and 20, found in a Bill of Particulars at R. 956, wherein it is charged that the respondent "* * * Sharon Steel is attempting to monopolize and has gone a great way toward actually monopolizing the anti-splitting

iron business of the United States in violation of Section 2 of the Sherman Anti-Trust law 15 U. S. C. Sec. 2," to petitioner's damage under 15 U. S. C. Sec. 15 (R. 225). Paragraph 20 (R. 956): "In the year 1941, the tie iron output of the Sharon Steel Corporation is believed to have constituted between sixty-five and seventy per cent of the total output of the industry," whereas "In the year 1936, the combined tie iron output of the Sharon Railway Supply and Sharon Steel Corporation constituted approximately twelve per cent of the total United States output of tie irons. * * * This increase is attributed primarily to the discreet use of tonnage by the defendant Sharon Steel as a means of getting railroad business. In particular, it is believed that the traffic manager of Sharon Steel Corporation, whose name is McBride, has written letters to various railroads in Chicago calling attention to the routing of pipe and coupling equipment made by Pittsburgh Steel Company, a subsidiary of Sharon Steel Corporation, to the oil fields. Shortly following these letters, Mr. Thomas of the Sharon Steel Corporation sales department has called on the railroads receiving the letters."

The respondent Sharon Steel denied all of these allegations (R. 226 and 957).

D. Motion to Produce and First Pre-Trial Conference.

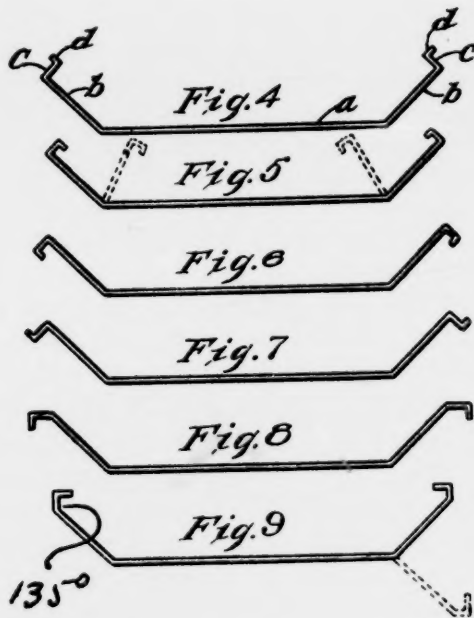
On November 24, 1941, petitioner moved that the respondent Sharon Steel be ordered to produce all of the written material delivered by the Sharon Railway Supply Company to the respondent Sharon Steel at the time of the transfer of the assets, (Paragraph 8, R. 184) and certain correspondence files between respondent Sharon Steel and the Pennsylvania Railroad and two Chicago railroads including the respondent Thomson. The motion was denied (R. 225-226).

On December 5, 1941, three days before trial, the trial judge at a pre-trial conference requested that the case be tried in two parts, Part 1 to consist of Counts I and II and Part 2, of Counts III, IV and V (R. 225-226).

E. Trial of Counts I and II.

Part 1 was tried December 8 to 11, 1941, and twice during trial the respondent Sharon Steel objected to questions on the ground that they related to Part 2 and was sustained (R. 357, 358 and 467). At the opening of the trial, the petitioner withdrew claim 7 which calls for an iron that can be interlocked with a similar iron (Finding of Fact 2a, R. 988). Claims 1 to 4 do not mention interlocking (R. 1051). The depositions were introduced into evidence *in toto*.

With respect to Count I, the evidence showed that petitioner was a day laborer driving "S" tie irons in East St. Louis commencing in 1923 (R. 287) and after three years he developed the iron in suit (Ex. 39, R. 669 and Ex. 38, R. 659). He himself prosecuted his patent application (Ex. AA, R. 855-933) and obtained a patent (R. 1046) which shows these open polygon irons:



His iron was approved by the American Railway Engineering Association's tie iron committee in 1930 (Ex. 89, R. 727) and it was the first iron to receive acceptance since the railroads commenced using "S" and "C" irons about 1900 to 1905 (R. 326). His iron has had substantial commercial success (Ex. 76, R. 711 and Ex. 93, R. 745). Its main body portion spans the spike lines as "S" and "C" irons do not, does not cut plugs, and its diverging arms with end terminals make it possible to reshape the iron very quickly when it is being driven (R. 304-305). National Forge of Louisville, Highland Steel of Terre Haute, and Laclede Steel-Western Wire of St. Louis asked for licenses under the patent in suit and licenses were refused (R. 319-320). Only two competitors, Sharon Railway Supply Company and American Steel and Wire Company, have not asked for a license. The petitioner adapted the

length of the diverging arms of his iron to accommodate the particular type of tie which a railroad used. Thus, the Northwestern Railroad uses pole ties, which are slabbed only on top and bottom, so that in width the ties may reach fourteen inches (R. 360). The respondent Sharon Steel has always offered each railroad which was petitioner's customer, an accused device having exactly the same dimensions as the petitioner's device (Physical Ex. 83 and R. 361).

In its advertising the respondent Sharon Steel claimed for the accused device the very advantages which the petitioner urged to the Patent Office in order to get his patent and which the petitioner claims for his commercial device (R. 749).

The petitioner adopted "Saf-Tie" as a trademark for tie irons about 1930 and has used it since (R. 356).

The respondent relied solely on patents to invalidate or narrow the claims. Of these patents, a first group comprising Body, 988,620 (R. 1094); Williams, 1,201,008 (R. 1100); Williams, 1,208,255 (R. 1104); and Lloyd, 1,469,843 (R. 1116), relate to tie irons. A second group, comprising Sayre, 180,070 (R. 1054); and Fiebig, 1,436,584 (R. 1110), relate to dowels to be placed in prepared holes for holding together separate pieces of wood. A third group, comprising Walker, 300,536 (R. 1058); Starr, 396,900 (R. 1062); Berry, 412,696 (R. 1070); Starr, 419,375 (R. 1074); Rasner, 515,168 (R. 1078); Starr, 547,093 (R. 1082); Wyland, 553,886 (R. 1086); and Stambach, 725,375 (R. 1090), relate to small corrugated nails used to join together light pieces of wood such as the mitred joints of screens. A fourth group, comprising Starr, 366,269 (R. 1062); Zimmerman Br. 12,013 (R. 1121); and Methua Fr. 57,213 (R. 1131), relate to small nails to be driven into seasoned wood to prevent splitting. The United States Patent Office had allowed the Beegle patent over Williams, 1,208,-

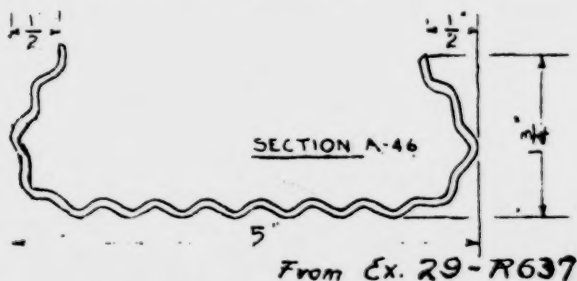
255 of group 1; over Walker, Starr, 547,093, Rasner, Stambach and Wyland of the third group; and over Zimmerman and Methua of the fourth group. The Patent Office did not rely upon dowels, the second group.

The following undisputed facts relating to Count II were developed at the trial: Mason Evans, assistant treasurer of the respondent Sharon Steel, was shown Ex. 6, entitled "Audit Report, September 30, 1935, Sharon Railway Supply Company, Sharon Pennsylvania," and he said that he did not remember having seen it although "I may have had this." (R. 453.) His attention was called to the statement in the audit, "the sum of two hundred and fifty dollars for infringement costs is included in the loss for the third quarter." (R. 454.) He denied knowledge of the Settlement Agreement in either 1935 or 1936 (R. 461). Other Sharon Steel employees, namely, Galbreath, vice president in charge of sales, Thomas, special representative in charge of tie irons, Hughes and Jackson, denied any knowledge in 1935 or 1936 of either respondent Sharon Steel's participation in the sale of the five hundred thousand tie irons accused in 1935 or of the Settlement Agreement. Baker, who was located in Philadelphia, could not be subpoenaed, and the respondent Sharon Steel did not produce him. Buterbaugh was subpoenaed (R. 281) by the petitioner and was asked whether or not he recalled "any transactions relating to the Sharon Railway Supply Company that may have taken place in the early months of the year 1935?" and his reply was, "No sir" (R. 418). He did not deny receiving the "print of 'Saf-Tie' one" and "sample of Sharon iron" mentioned in Ex. 27-1 (R. 418-419).

John Foley, chairman of the tie committee of the American Railway Engineering Association, stated that petitioner's infringement charge against the Pennsylvania Railroad and the Sharon Railway Supply Company and

the settlement of the charge by the Sharon Railway Supply Company were discussed in a committee meeting (R. 349). He stated that the patent in suit is the only well known patent on tie irons in the tie iron field (R. 350).

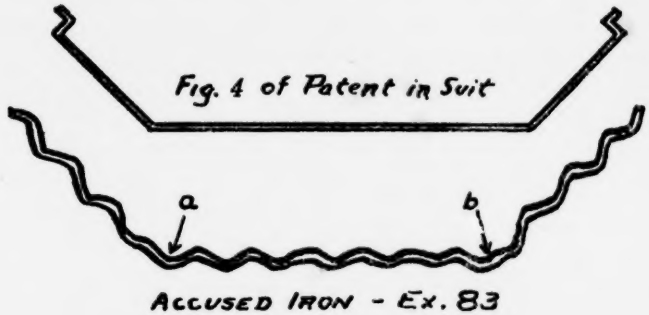
In the spring of 1937, the respondent Sharon Steel sold to the Pennsylvania Railroad (R. 339), 500,000 of this modified "C" iron (Ex. 29, R. 637).



In the spring of 1938 the Pennsylvania Railroad declined to purchase any more of these open "C" irons (R. 345) and Foley, Pennsylvania Railroad forester, informed the respondent Sharon Steel, "that the shape of iron that met the A. R. E. A. requirements would be accepted" (R. 345). The A. R. E. A. requirements were published in a bulletin in December, 1930 (R. 725) and show working drawings of "S", "C" and petitioner's "Saf-Tie" iron (R. 727, Ex. 89). The report reads in part, "The result of this test indicates that all three shapes of iron, viz., the 'C', 'S' and 'Saf-Tie', when properly applied, will meet the requirements."

On May 25th, 1938, Thomas, respondent Sharon Steel's special representative on tie irons, went to the petitioner's plant in East St. Louis. The petitioner testified that Thomas asked for a license under the patent (R. 320-322). The petitioner's son-in-law similarly testified (R. 399). Thomas denied that he asked for a license. The respondent

Sharon Steel then offered the accused devices to the Pennsylvania Railroad;



On or about July 26, 1938, the purchasing department of the Pennsylvania Railroad changed a Stores Department requisition for three sizes of "Saf-Tie" irons addressed to the Beegle Tie Service Company to Sharon Steel (R. 639). The petitioner has never received any business from the Pennsylvania Railroad since (R. 246). During 1938 and 1939, all Pennsylvania Railroad orders specified petitioner's "Saf-Tie" iron and the respondent Sharon Steel filled such orders by shipping accused devices (R. 246).

The court took the case under advisement, with briefs to be submitted.

F. Respondent Sharon Steel's Motion for Summary Judgment on Counts III, IV and V.

The trial court held a second pre-trial conference on December 29, 1941, for Part 2 (R. 283), and at that pre-trial conference the respondent Sharon Steel presented a Motion for Summary Judgment on Part 2 unsupported by affidavits (R. 951). The trial court took the Motion under advisement, with briefs to be submitted.

The Motion for Summary Judgment advances seventeen grounds for granting the Motion of which six grounds, A, B, C, G, P and Q, (R. 591-954) relate to paragraphs 17,

19 and 20 of Count V. Grounds A and B state that Counts III, IV and V do not allege "interstate commerce" and even if alleged, all transactions are intrastate. Grounds C and G state that the federal courts have no jurisdiction over a monopoly of unpatentable articles (R. 951-952). Ground P states that Count V is defective because it does not allege special damage (R. 954). Ground Q (R. 954) says that "the record now before the court shows that * * * it is obvious that plaintiff cannot produce any evidence to support any one of the claims contained in said counts."

At this second conference the trial court asked the petitioner to submit a proposed stipulation of facts as to Count V to the respondents and the petitioner on March 7, 1942, submitted to the respondent such a stipulation, a copy of which was filed with the trial judge on the same day (R. 995-996). The respondent denied the facts set forth in the proffered Stipulation in a letter to the petitioner with a copy to the trial judge on March 10, 1943 (R. 1013).

On April 3, 1942, petitioner moved to set Part 2 for trial and the trial judge continued the case generally (R. 983).

G. Disposition of the Case by the Trial Court.

On January 28, 1943, fourteen months after the trial of Part 1 and thirteen months after the filing of the Motion for Summary Judgment on Counts III, IV and V, the trial court disposed of the entire case in favor of the respondents as follows (R. 984-987):

Count I: The patent was held not infringed because "its principal feature" is "inwardly directed terminals constructed to readily interlock with like terminals on similar

irons. * * * This teaching is not followed in the defendants accused irons (R. 985)."

Count II: "Although it is highly probable * * * that the defendant Sharon Steel assisted Sharon Railway Supply Company, Inc., in getting the much discussed order of 1935 * * * it does not follow * * * that the defendant Sharon Steel Corporation had knowledge of the alleged infringement subsequently admitted by Sharon Railway Supply Company, Inc., or of the agreement wherein it admitted the same. * * * This does not reasonably justify plaintiff's implication of a well concocted plan by the defendant Sharon Steel Company to use Sharon Railway Supply Company, Inc., as its agent or tool, to infringe the plaintiff's patent" (R. 986).

Counts III, IV and V: The Motion for Summary Judgment was granted on Ground Q, the trial judge saying, "The plaintiff has no possibility of establishing the case he pleads in counts 3, 4 and 5" (R. 986).

Findings of Fact and Conclusions of Law were requested of the respondent Sharon Steel (R. 986).

On March 10, 1943, the trial judge signed Findings of Fact and Conclusions of Law, (R. 987-994) and entered judgment for the respondent (R. 994). Findings of Fact 4, 6 through 11, parts of 12 and 13 and 14, relating to Counts I and II (R. 990-991), find no basis in the trial judge's Memorandum Opinion and were approved in the verbatim form submitted by the defendant. Findings of Fact 17 through 27 relate to Counts III, IV and V, and are based on evidence adduced in the depositions and at the trial with respect to Counts I and II,—no trial on Counts III, IV and V ever having been had.

H. Disposition of the Case by the Circuit Court of Appeals.

The Circuit Court of Appeals affirmed the trial judge (R. 1161-1169) and held:

Count I: By using the words, "timber anchor" instead of "tie iron" in his claims, the patentee sought exclusive rights not only on tie irons, but also on all other types of wood fasteners; and consequently all wood fastening devices including dowels were pertinent prior art. From this prior art, the claims must be narrowed to cover only a tie iron of open polygon shape having a single terminal lug at right angles to the arm or an L-hook. The angle of the end lug of the accused device is not a right angle and hence no infringement.

Count II: Assuming that Sharon Steel is bound by the Settlement Agreement, the test of its breach is the same as the test of infringement applied in Count I and hence no breach.

Count III: Paragraph 14f is too indefinite to state a cause of action.

Count V: Paragraphs 17, 19 and 20 of the Complaint. The decision mentions this cause of action in only three lines and seems to treat it as additive to the other cause of action in Count V set forth in paragraph 18 of the Complaint. Paragraphs 17, 19 and 20 do not state a cause of action because they are indefinite in that they do not state how the plaintiff has been damaged.

II.

The Jurisdiction of This Court.

The jurisdiction of this court is based upon Section 240 (a) of the Judicial Code, Title 28 U. S. C. Section 347 (a). The judgment of the Circuit Court of Appeals was entered

on November 6, 1943. A timely Petition for Rehearing was filed November 19, 1943. This Petition was denied on December 28, 1943.

III.

The Questions Presented.

Several questions are presented.

With respect to the Motion for Summary Judgment on Count V, paragraphs 17, 19 and 20 of the Complaint, the Circuit Court of Appeals has decided that it is proper to grant a Motion for Summary Judgment on the ground that the pleadings setting up a cause of action under the anti-trust laws are indefinite. It has done this without giving leave to amend. It has held that pleadings which specifically incorporate the damage allegations of 15 U. S. C. 15 and then state that respondent has acquired sixty-five to seventy per cent of all the tie iron business by using shipping tonnage as a sales lever, are not sufficiently definite to warrant a trial. Finally, it has sanctioned the granting of such a motion after the petitioner was denied the right to introduce evidence relative to the subject matter at the trial of part 1. The petitioner therefore submits as its first question:

Question 1: Are paragraphs 17, 19 and 20 of the Complaint so indefinite that they do not state a cause of action, and if they are, should respondent be able to take advantage of this indefiniteness by a motion for Summary judgment.

With respect to Count I, the Circuit Court of Appeals has narrowed the claims of the patent in suit by reading, for example into the words "angulate member" of Claim 3 the words "L-shaped or hook member." In so doing, the court did not discuss whether it had a right to so narrow the claims in view of the facts that the parties to the Settlement Agreement agreed that tie irons that do not have

"L-shaped or hook members" are nevertheless infringements of the patent and that the Settlement Agreement contains an acknowledgment of validity. Moreover, the court so acted in reliance upon patents which were considered by the Patent Office or were no better as prior art than the patents considered by the Patent Office. It is evident that whether or not the Circuit Court of Appeals has this right to so narrow claims is dependent firstly, upon whether or not the respondent Sharon Steel is bound by the Settlement Agreement, and secondly, whether or not such narrowing is permissible in view of the Settlement Agreement. Petitioner therefore, submits these five questions with respect to Count I:

Question 2: Is the respondent Sharon Steel a surviving corporation of what under the laws of Pennsylvania was a *de facto* merger under Title 15, Penn. Laws, Sec. 3852-907, (1933 Corporation Act) as interpreted in *Commonwealth v. Merchants National Bank of Allentown*, 323 Pa. 124, 185 Atl. 823 (1936), and in *Helvering v. Metropolitan Edison Co.*, 306 U. S. 522, aff'g 98 F. 2d 807, C. C. A. 3rd, so that the respondent Sharon Steel is bound by the parties agreement as to what constitutes an infringement and by the acknowledgment of validity contained in the Settlement Agreement even though respondent Sharon Steel has denied actual knowledge of the Settlement Agreement when it acquired the Sharon Railway Supply Company assets.

Question 3: Do the respondent Sharon Steel's acts (1) of getting the 1935 order for the then accused irons from the Pennsylvania Railroad; (2) in submitting jointly with the Sharon Railway Supply Company a crinkled "C" iron to get the Pennsylvania Railroad account in 1935; (3) in financing the insolvent Sharon Railway Supply Company in 1935; (4) of assisting the Sharon Railway Supply Company in getting business by using shipping tonnage

as a selling lever; and (5) in profiting by each sale of tie irons made by the Sharon Railway Supply Company, constitute the respondent Sharon Steel a joint adventurer with the Supply Company under *Nolan v. Doyle*, 338 Pa. 398, 13 Atl. 2d 59 (1940), so that the respondent Sharon Steel is bound by the Settlement Agreement, even though it did not know thereof or participate therein?

Question 4: May the acknowledgment of validity contained in the Settlement Agreement be emasculated by reading into the claims limitations not contained therein?

Question 5: May the claims in suit be limited in scope to a particular structure of end terminal, namely, to tie irons having "L-shaped or Hook members" at their ends, when the parties to the Settlement Agreement agreed that tie irons which did not have "L-shaped or hook-members" were infringements of the patent?

Question 6: Should a court ignore the presumption of validity attaching to a patent duly issued by the United States Patent Office when the presumption of validity is fortified by

- a. Acceptance of the patented devices as meritorious by the only official group of experts in the industry for a period of 12 years;
- b. Substantial commercial success.
- c. Requests for licenses by all but two competitors in the trade and respect for the patent nine years of its life; and
- d. Respondent Sharon Steel's using the very advantages advanced by the patentee to the Patent Office as justification for being granted a patent in respondent's printed advertising in order to sell the accused devices?

In disposing of Count II the Circuit Court of Appeals assumed that respondent Sharon Steel was bound by the Settlement Agreement and concluded, "inasmuch as de-

fendant's device does not infringe, there is no breach of contract." Petitioner therefore submits this question:

Question 7: Is the criterion for determining infringement of the patent under Count I the correct criterion for determining a breach of the Settlement Agreement under Count II?

These additional questions arise from the proceedings heretofore described:

Question 8: Do paragraphs 12, 13 and 14 a, b, c and d (R. 15, 16 and 17), and Paragraph 14f (R. 157), all in the complaint, state causes of action for unfair competition?

Question 9: Was the denial of the Motion to Produce Documents relating to Count II unreasonable in view of the fact that the respondent Sharon Steel was in possession of the primary evidence?

Question 10: Should Findings of Fact prepared by respondent Sharon Steel's counsel and merely approved by the trial judge be accorded the benefits of the third sentences of Rule of Civil Procedure 52(a) in view of the first sentence of Rule 52(a)?

Question 11: Should the only logical inference from secondary evidence be relied upon as the fact when the adverse party is in possession of the best evidence and refuses to produce it in view of the doctrine of *Clifton v. U. S.*, 4 Howard 242 (1846), and *Kirby v. Talmadge*, 160 U. S. 379 (1896)?

IV.

The Reasons Relied on for the Allowance of the Writ.

Reason 1 (Re: Question 1):

In sanctioning the granting of the Motion for Summary Judgment without giving leave to amend, the Circuit Court of Appeals has decided an important Federal question in

a way probably in conflict with applicable decisions of this court and in conflict with Rules of Civil Procedure 56(c) and 8(a).

Paragraphs 17, 19 (R. 225) and 20 (R. 956) charge respondent Sharon Steel with "monopolizing the anti-splitting iron business of the United States" by "the discreet use of tonnage * * * as a means of getting railroad business." In response to a request for a Bill of Particulars, petitioner charged that McBride, respondent's traffic manager, wrote tonnage letters to Chicago railroads, and then followed up these with sales efforts which have resulted in respondent's getting in 1940 sixty-five to seventy per cent of the total tie iron business of the United States. At the time the Motion for Summary Judgment was filed, the record showed that petitioner had lost the Pennsylvania Railroad account to respondent Sharon Steel (R. 246) which in 1935 and 1936 by the testimony of its own employee, Jones, was using tonnage to get the business (R. 150).

After the filing of the Bill of Particulars (R. 956), respondent did not further allege indefiniteness but answered (R. 957).

The trial court granted the Motion on the ground that "the plaintiff has no possibility of establishing the case he pleads". On such a ground, petitioner had no reason to amend. The Circuit Court of Appeals, affirmed the trial court on the ground that these paragraphs do not affirmatively show "injury to plaintiff's business," (R. 1168). Petitioner submits that allegations of special damage are no longer needed by virtue of Rule of Civil Procedure 8; and that even if required, it is evident from the record that petitioner is damaged by losing his customers. If a special damage allegation is required and if it is not present, leave to amend should be granted under Rule of Civil Procedure 15(a). See *International Ladies Garment*

Workers v. Donnelly Garment Co., 121 F. 2d 561, C. C. A. 8th, and *Louisiana Farmers v. A & P*, 6 Fed. Rule Service 58 C. C. A. 8th. Leave to amend was requested in the Petition for Rehearing (R. 1181).

Using tonnage to get railroad business and thereby obtain a monopoly is actionably wrongful, *F. T. C. v. Waugh*, 15 Fed. Trade Commission Decisions, 232 at 245. A fifty per cent or greater monopoly obtained by illegal trade practices may be actionably wrongful without more, *Fashion Trade v. F. T. C.*, 312 U. S. 457 (1940). The Circuit Court of Appeals considered neither case.

A violation of the anti-trust laws is difficult to prove. It is particularly difficult for a private party. Moreover, with the alleged wrongdoer in possession of the facts, a private party cannot allege with great exactness the wrongs committed in advance of testimony. If the civil cause of action clauses of the anti-trust laws are to have any practical effectiveness, they should not be nullified by compelling a plaintiff to plead facts which cannot be known to him with great definiteness in advance of trial.

Reason 2 (Re: Questions 2 and 3):

In declining to determine the applicability of Title 5, Pennsylvania Laws, Section 3852-907 (1933 Corporation Act), of *Commonwealth v. Merchants National Bank*, 323 Pa. 124, and of *Nolan v. Doyle*, 338 Pa. 398, to the transfer of the Sharon Railway Supply Company assets to the respondent Sharon Steel, the Circuit Court of Appeals for the Seventh Circuit has ignored the rule of *Eric Railroad Co. v. Tompkins*, 304 U. S. 64, that local law governs the legal effect of the transactions in question.

While the Circuit Court of Appeals assumed that respondent Sharon Steel was bound by the Settlement in disposing of Count II, breach of contract, the court did not mention the applicability of the contract to Count I.

It indicated elsewhere in its decision (R. 1168) that respondent Sharon Steel was not bound on the Settlement Agreement. In reaching this conclusion at R. 1168, the Circuit Court of Appeals decided that respondent Sharon Steel's alleged lack of knowledge of the Settlement Agreement at the time that it acquired the assets of the Sharon Railway Supply Company exonerates respondent Sharon Steel of liability under the Settlement Agreement. Petitioner contends that Pennsylvania law is controlling because the entire transfer occurred in Sharon, Pennsylvania, and that further under Pennsylvania laws, respondent Sharon Steel cannot escape liability because of lack of knowledge of the Settlement Agreement. Petitioner therefore submits Reasons 3 and 4.

Reason 3 (Re: Question 2):

In deciding that the respondent Sharon Steel is not bound by the Settlement Agreement, Ex. 1, as the surviving corporation of a *de facto* merger under Title 5, Pennsylvania Laws, Section 3852-907 (1933 Corporation Act), the Circuit Court of Appeals has decided an important question of Pennsylvania law in a way probably in conflict with this applicable Pennsylvania decision,—*Commonwealth v. Merchants National Bank of Allentown*, 323 Pa. 124, 185 Atl. 823 (1936), and with this decision of this court,—*Helvering v. Metropolitan Edison Co.*, 306 U. S. 522, aff'g. 98 F. 2d 807, C. C. A. 3rd.

Reason 4 (Re: Question 3):

In deciding that the respondent Sharon Steel was not the silent joint adventurer with and financier of the Sharon Railway Supply Company in getting the order for and profiting by the sale of the tie irons which became the subject of that agreement, the Circuit Court of Appeals has decided an important question of Pennsylvania law in a way probably in conflict with this applicable Penn-

sylvania decision,—*Nolan v. Doyle*, 338 Pa. 398, 13 Atl. 2d 59 (1940).

If Sharon Steel is bound on the Settlement Agreement, petitioner submits that the Circuit Court of Appeals could not narrow the plain meaning of the claims under Count I without holding exactly contrary to a decision in the Circuit Court of Appeals for the Second Circuit. Petitioner therefore submits Reason 5.

Reason 5 (Re: Questions 4 and 5):

In deciding that patent claims may be limited in scope by reading into them a limitation not contained therein despite an acknowledgment of validity and despite an agreement by the parties that the read-in limitation is not material in determining infringement, the Circuit Court of Appeals for the Seventh Circuit has rendered a decision in conflict with this decision of another Circuit Court of Appeals on the same matter,—*Nachman Spring Filled Corp. v. Kay Mfg. Co.*, 139 F. 2d 781, 59 U. S. P. Q. 349, at 355, C. C. A. 2d (1943), wherein the court said:

“* * * while, with respect to such a patent as this, the doctrine of equivalence must be most cautiously employed, it is not, even here, so completely without efficacy that defendant can, as it has tried to do, escape infringement and the obligations of its agreement, by adopting contrivances which any mechanic skilled in the art would recognize at a glance to be obvious substitutes for those disclosed in the claims.”

Reason 6 (Re: Question 7):

In ruling that the criterion for determining the infringement of the patent under Count I is the correct criterion in determining what constitutes a breach of the Settlement Agreement under Count II, the Circuit Court of Appeals has decided an important question of local law probably in conflict with applicable local decisions.

Reason 7 (Re: Question 6):

By substituting its judgment as to the validity of a patent for the judgment of the Patent Office, the judgment of the only official non-partisan group of experts in the field, the judgment of a substantial portion of the purchasing public, and the judgment of competitors, and in ignoring the fact that respondent Sharon Steel sold the accused devices by urging the very advantages advanced by the patentee to the Patent Office as the means of being granted a patent, the Circuit Court of Appeals has decided a federal question relating to the presumption of validity that attaches to a United States patent in a way probably in conflict with applicable decisions of this court.

Respectfully submitted,

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BRIEF IN SUPPORT OF PETITION FOR CERTIORARI.

Complying with Rule 27 of this Court, the Subject Index of this Brief is found commencing on page i. The decision of the Circuit Court of Appeals is found at R. 1161. It is reported at 59 USPQ 416, 138 F. 2d 875. The decision of the trial court is found at R. 984 and is reported in 56 USPQ 361. A statement of jurisdiction is found on page 21, *supra*, in the Petition for Certiorari. A statement of the case is found in the Petition, pages 1-21. The specification of errors is found in the questions and reasons set forth *supra* on pages 22-30.

Reason 1 (Re: Question 1):

In sanctioning the granting of the Motion for Summary Judgment without giving leave to amend, the Circuit of Appeals has decided an important Federal question in a way probably in conflict with applicable decisions of this court and in conflict with Rules of Civil Procedure 56(e) and 8(a).

One of the two causes of action set forth in Count V, namely that in paragraph 17, 19 and 20 (R. 225, 226, 956 and 957), charges that the respondent Sharon Steel has created a monopoly in the United States tie iron business by using its large steel tonnage as a means of making tie iron sales and has damaged petitioner by taking away petitioner's customers. The Findings of Fact are silent upon the following points. In July, 1935, Sharon Steel entered the tie iron field by taking the New York Central tie iron business away from its debtor the Sharon Railway Supply Company (Ex. 13, R. 587). Jones, manager of the Supply Company, stated that "the real reason" why the respondent Sharon Steel got the account "was because

the Sharon Steel Corporation was in shape to get the tonnage. Mr. Beegle knows that'' (R. 122). Eighteen months later the respondent Sharon Steel had all of the Supply Company business.

In 1938, Sharon Steel asked for a license under the petitioner's patent or for petitioner to purchase from the respondent Sharon Steel his strip steel for making his tie irons (R. 320, 399). After refusal, the respondent Sharon Steel got all of the Pennsylvania Railroad business (R. 246).

Paragraph 20 of the Complaint (R. 957) charges that respondent Sharon Steel used its tonnage over railroads having headquarters in Chicago to get tie iron business and that respondent Sharon Steel had sixty-five to seventy per cent of the United States tie iron business by 1940.

The price quoted by the Sharon Railway Supply Company for the tie irons charged to infringe in 1935 was \$4.80 a thousand (Ex. 28, R. 635). Respondent Sharon Steel's price for the accused devices to the Pennsylvania Railroad in 1938 was \$6.25 to \$7.75 a thousand (Ex. 30, R. 639), although the accused devices have less steel in them than equal sized "S" or "C" irons (R. 393).

The question here presented is an important one. The use of tonnage in a systematic way to monopolize an item purchased by railroads will concentrate the railroad supply business in the hands of large shippers. If a large shipper is permitted to engage in the practice of exerting pressure upon railroads in a pleasant but effective manner so as to eliminate from competition those not having such tonnage, a precedent will be set which will quickly eliminate all small railroad suppliers who are not operating under valid patent protection.

In the only case involving tonnage that has come to the writer's attention the Federal Trade Commission enjoined the Waugh Equipment Company of Chicago, Illi-

nois, from using tonnage as a means of getting railroad supply business, *Federal Trade Commission v. Waugh Equipment*, 15 Fed. Trade Com. Decisions 232, 245. Moreover, the Federal Trade Commission found that Waugh was using tonnage as the means of getting business, despite the denials of Waugh's officers and employees, by inference from the percentage of the total business which Waugh got and from the close relationship of Waugh's officers to the large railroad shipper, Armour & Company. Drawing such an inference from the existence of a better than 50 per cent monopoly when there exists illegal conduct explanatory of the monopolist's success seems justified by the decision of this court in *Fashion Guild v. F. T. C.*, 312 U. S. 457 (1940).

The trial court granted the Motion for Summary Judgment on the ground "that the plaintiff has no possibility of establishing the case he pleads." Petitioner submits that this ground is contrary to the express language of Rule of Civil Procedure 56(c), which only permits the granting of a motion for summary judgment when "there is no genuine issue as to a material fact." A trial judge is not entitled to decide whether or not a party can introduce evidence sufficient to support his pleadings. *Whitaker v. Coleman*, 115 F. 2d 305 at 306, C. C. A. 5th (1940); *Toebeleman v. Missouri-Kansas Pipe Line Co.*, 130 F. 2d 1016 at 1018, C. C. A. 3rd (1942).

The decision of the Circuit Court of Appeals is not clear. Apparently the Circuit Court of Appeals did not note that Count V contains two causes of action: Firstly, in paragraphs 17 and 18, the respondent Sharon Steel is charged with acquiring all of the stock of the Supply Company so as to substantially reduce competition and damage the petitioner by vitiating the Settlement Agreement; and secondly, in paragraphs 17, 19 and 20, the respondent Sharon Steel is charged with using tonnage to obtain a

monopoly and deprive petitioner of his customers. The Circuit Court of Appeals mentioned this second cause of action as if it were an adjunct of the first and then disposed of the first cause of action on two grounds: Firstly, that the trial judge had found that the respondent Sharon Steel had no knowledge of the Settlement Agreement and hence could not have damaged petitioner willfully; and secondly, that the charging paragraphs of the Complaint contained no "allegations of the specific injury suffered by the plaintiff" and that the "manner, nature, character and extent of the injury sustained and the facts from which injury accrues and upon which damages may be assessed as well as those with regard to the effect of the alleged violation upon plaintiff's business must be pleaded."

Only the second cause of action, namely that found in paragraph 17, 19 and 20, is brought here for review. The only defect found in these paragraphs by the Circuit Court of Appeals is that they are not sufficiently definite. Petitioner submits that the Circuit Court of Appeals' position is incorrect for two reasons: firstly, the allegations are sufficiently definite to comply with the requirements of the law existing prior to the adoption of Rule of Civil Procedure 8(a); and secondly, Rule of Civil Procedure 8(a) sets up a new standard for definiteness of complaints.

While the decisions relied on by the Circuit Court of Appeals at R. 1169 do not seem to stand for the proposition asserted by that court,¹ the true rule is well stated in

¹ In *American Banana Co. v. United Fruit Co.*, 213 U. S. 347, a trust complaint for damages was dismissed because it alleged that the wrongful acts occurred in Costa Rica. In *Keogh v. Chicago & N. W. Ry. Co.*, 260 U. S. 156, aff'g. 271 Fed. 445 C. C. A. 7th, the court held that a complaint charging that defendant had combined with others and charged plaintiff excess rates was bad in law only because these very rates had been approved by the Interstate Commerce Commission. In *Twin Ports Oil Co. v. Pure Oil Co.*, 119 F. 2d 747, C. C. A. 8th (1939), cert. denied 314 U. S. 644, the

Glen Coal Co. v. Dickinson Fuel, 72 F. 2d 885, 887, C. C. A. 4th:

“To recover the plaintiff must establish two things: (1) A violation of the Anti-Trust Act and (2) damages to the plaintiff proximately resulting from the acts of the defendant which constitute a violation of the Act.”

As applied to the present case, the question is: do paragraphs 17, 19 and 20 of the Complaint sufficiently allege the specific damage done to the petitioner?

These paragraphs are not to be considered alone, however, for they form part of a single complaint wherein paragraph 16 of Count IV states that the respondent Sharon Steel has taken away the Pennsylvania Railroad tie iron account. Paragraph 20 states that the respondent Sharon Steel is using tonnage to get the tie iron business of certain railroads in Chicago. Moreover, the damage suffered is clear,—namely the loss of orders for tie irons from the Pennsylvania Railroad and railroads having headquarters in Chicago.

It should be noted that after the Bill of Particulars was filed (R. 956-957), the respondent Sharon Steel made

court held that a trust complaint by a jobber of gasoline that alleged damage due to raised prices by a combination of wholesalers was defective where it did not allege that the retail price did not rise proportionately so that it appeared that plaintiff's profit was about the same regardless of the alleged wrongful act. In *Locker v. American Tobacco*, 218 Fed. 447, the court held that defendant's sales contract with price was legal and plaintiff's damages could not therefore be considered. This situation was reversed by the Clayton Act. In *American v. O'Halloran*, 229 Fed. 77, C. C. A. 2nd (1915), the complaint was held sufficient and trial was had, but certain of the damages were held conjectural. In *Leonard v. Socony Vacuum*, 42 F. Sup. 369, the facts and decision are identical to those in *Twin Ports Oil v. Pure*, *supra*. In *Louisiana v. Great A & P Tea*, 40 F. Sup. 897, the court held that fruit growers whose income is derived from a wholesale price can show no damages resulting from the use of a “price leader” by a defending retailer. This case, the only case in point, was reversed by the Circuit Court of Appeals for the 8th Circuit, which gave leave to amend, 6 Fed. Rules Serv. 58.

no further objection as to definiteness, but denied the allegations (R. 957-961) of Paragraphs 19 and 20 of Count V.

The petitioner submits that the Circuit Court of Appeals erred, secondly, by applying decisions relating to definiteness of a complaint which are no longer in force. Rule of Civil Procedure 8(a) requires a plaintiff to set forth his cause of action without pleading specific, evidentiary matter. This rule is applicable to complaints based upon 15 U. S. C. Section 15. *Securities & Exchange Com. v. Time Trust, Inc.*, 1 Fed. Rules Ser. 83, D. C. Cal., *United States v. Johns-Manville Corp.*, 4 Fed. Rules Ser. 73 D. C. Ill. Holly (1941), *Lousiana Farmers v. A & P*, 5 Fed. Rules Service 55 D. C. D. C. Ark. reversed in 6 Fed. Rules Service 58 C. C. A. 8th, *McJunkin v. Richfield*, 3 Fed. Rules Ser. 63, D. C. Cal. (1940), *Emich Motors v. General Motors*, 7 Fed. Rules Serv. Case 2 8a 464, *Dean Rubber v. Julius Schind*, 7 Fed. Rules Serv. 8a 464 Case 1. It was drafted for the purpose of avoiding controversies over the definiteness of pleadings. In drawing paragraph 7 of Count V, petitioner charged "that the cause of action arises from a violation of the Federal Anti-Trust Laws to wit: * * * Section 2, Chapter 647 of the Law of July 2, 1890, 26 Statutes, 209, Title 15 U. S. C., Section 2." By this manner of pleading, petitioner is entitled to rely upon the language used in the statute, just as if copied into the complaint, and 15 U. S. C. Section 15 reads: "Any person who shall be injured in his business or property by reason of anything forbidden in the anti-trust laws. * * *" See *Securities & Exchange Commission v. Time Trust, Inc.*, 1 Fed. Rules Service 83, D. C. Cal.

The petitioner, therefore, submits that the second cause of action of Count V, (paragraph 17, 19 and 20 of the Complaint) is definite and trial thereon should be granted.

But even if these paragraphs are indefinite, leave to

amend should be granted. *International Ladies Garment Workers Union v. Donnelly Garment Co.*, 121 F. 2d. 561, C. C. A. 8th, and *Louisiana Farmers v. A. & P.*, 6 Fed. Rules Service 58, C. C. A. 8th.

Reason 2 (Re: Questions 2 and 3):

In declining to determine the applicability of Title 5, Pennsylvania Laws, Section 3852-907 (1933 Corporation Act), of *Commonwealth v. Merchants National Bank*, 323 Pa. 124, and of *Nolan v. Doyle*, 338 Pa. 389 to the transfer of the Sharon Railway Supply Company assets to the respondent Sharon Steel, the Circuit Court of Appeals for the Seventh Circuit has ignored the rule of *Eric Railroad Co. v. Tompkins*, 304 U. S. 64, that local law governs the legal effect of the transactions in question.

A study of Exhibits B (R. 757), 3a (R. 565), 5 (R. 573), 7 (R. 579), 8 (R. 579), 9 (R. 580), 10 (R. 581), 11 (R. 582), 12 (R. 617), 13 (R. 587), 14 (R. 617), 15 (R. 617), 17 (R. 617), 6 (R. 769), H (R. 772), and H-1 to H-10 (R. 788), establishes that the entire transfer of the Sharon Railway Supply Company assets to the respondent Sharon Steel took place in Pennsylvania. Under *Eric v. Tompkins*, 304 U. S. 64, Pennsylvania law controls the effects of the transfer.

It is therefore necessary to determine whether the respondent Sharon Steel's lack of knowledge of the Settlement Agreement when it took the assets of the Sharon Railway Supply Company as a going concern relieves Sharon Steel of liability under the Settlement Agreement under Pennsylvania law.

Reason 3 (Re: Question 2):

In deciding that the respondent Sharon Steel is not bound by the Settlement Agreement, Ex. 1, as the surviving corporation of a *de facto* merger under Title 5, Pennsylvania Laws, Section 3852-907 (1933 Corporation Act), the Circuit Court of Appeals has

decided an important question of Pennsylvania law in a way probably in conflict with this applicable Pennsylvania decision,—*Commonwealth v. Merchants National Bank of Allentown*, 323 Pa. 124, 185 Atl. 823 (1936), and with this decision of this court,—*Helvering v. Metropolitan Edison Co.*, 306 U. S. 522, aff'g. 98 F. 2d 807, C. C. A. 3rd.

This is an important question. Its answer determines whether or not a state of the United States can by statute prevent corporations from evading their liabilities by the simple expedient of transferring all of their assets, employees, and good will under the guise of a bill of sale to another who carries on the business. The Commonwealth of Pennsylvania has long recognized that the sanctity of contracts and the ultimate soundness of corporate relationships is dependent upon a careful supervision of the dissolution of a corporation. This state has recognized that a going business is difficult to create and that acquisition of such a business by a stranger can only be fair if the stranger takes the bad with the good. In 1871 Pennsylvania adopted a short form merger act and in 1909 a long form merger act. Both of these acts were replaced by the merger provisions of the Act of 1933 relating to corporations. This 1933 act is more stringent than any of the earlier acts and is designed to make certain that a going business cannot be transferred to a stranger free of the various liabilities that the going business acquired in the course of its existence. This is the pertinent statute:

Pennsylvania Statute 2852-907 of Title 15

“2852-907. Effect of merger or consolidation.

* * * The surviving or new corporation shall thenceforth be responsible for all the liabilities and obligations of each of the corporations so merged or consolidated * * * and any claim existing or action or proceeding pending by or against any of such corporations may be prosecuted by judgment as if such merger or consolidation had not taken place, or

the surviving or new corporation may be proceeded against or substituted in its place. * * * Penn-
sylvania Statutes, 1936.

Supplementing this statute, is Section 2852-1105 of Title 15, Pennsylvania Statutes, which requires the officers of any dissolving corporation to sign a statement containing the following sentence:

“All debts, obligations and liabilities of the corporation have been paid and discharged, or adequate provision has been made therefor.”

In these two laws the Commonwealth of Pennsylvania has concentrated its efforts to prevent frauds on innocent third parties due to the dissolution of a corporation while the business is nevertheless carried on by another entity.

Petitioner has lost the value of the covenant not to infringe by the Sharon Railway Supply Company, although the very machines and the very men who made the 1935 infringing devices are now making the presently accused devices. The justification for this loss to the petitioner resides according to the respondent Sharon Steel in the fact that the respondent did not know of the obligation at the time it acquired the Sharon Railway Supply Company assets. Petitioner submits that the law of Pennsylvania does not permit such evasion of corporate executory contracts.

We do not raise a question of fact here. The findings and the record are indisputable that respondent Sharon Steel got all the assets, all of the employees, all of the accounts receivable and all of the good will of the Sharon Railway Supply Company (see the first and second paragraphs on pages 9 and 10 *supra*). There is a Finding of Fact that at the time of this acquisition by the respondent, the respondent did not know of the Settlement Agreement (Finding of Fact 12, R. 990).

This court might well first decide whether the 1936 trans-

fer of assets was in fact a merger or sale, for under Pennsylvania law, evidence showing the true nature of the transaction will be admitted despite a self-serving bill of sale. *Commonwealth v. Merchants National Bank of Allentown*, 32 Pa. 124, 185 At. 823 (193y) which relied heavily upon the Illinois Supreme Court case of *Chicago, Santa Fe and California Railway v. Mary Ashling*, 160 Ill. 379 (1896) says:

“Why was this not a consolidation of the St. Louis company with the Santa Fe company? There is no magic in words. Merely calling the transaction a purchase and sale would not prevent it from being a consolidation.”

The elements of a merger in Pennsylvania are set up by the Third Circuit Court of Appeals in *Metropolitan Edison v. Helvering*, 98 Fed. 2nd 807 (1938):

“The analysis of this transaction shows: (1) That the Power Company transferred all of its assets to the petitioner; (2) that the petitioner was an existing corporation and continued to exist; (3) that the Power Company, though it did not automatically cease to exist upon the completion of the transaction, did discontinue all operations and was left without stockholders or property of any sort; and (4) that the petitioner, both by contract and operation of the law, became liable for the debts of the Power Company. 14 C. J. 970; 15 Fletcher Cyclopedic Corporation, section 7127; *In re Harr*, *supra*; *In re Buist's Estate*, *supra*; *Commonwealth v. Merchants Nat. Bank of Allentown*, *supra*.”

These elements are present in the case at bar as follows: (1) the respondent Sharon Steel got all of the Sharon Railway Supply Company assets; (2) the respondent Sharon Steel was existing before the transfer and has continued to exist; (3) the Sharon Railway Supply Company ceased to exist; (4) the respondent Sharon Steel and Sharon Railway Supply Company entered into some sort of an agreement to transfer all the assets to the respondent Sharon

Steel on the understanding that Jones and Shaughnessy each got \$1,000 (R. 153). The respondent Sharon Steel assumed all *known* liabilities,—see Mrs. Shaughnessy's testimony, R. 50, lines 19 and 20, and Mrs. Shaughnessy and Mr. Jones signed the statement to the Commonwealth of Pennsylvania that provision had been made for all Sharon Railway Supply Company obligations, on the instructions of the respondent Sharon Steel's attorneys (R. 129). Finally, the laws of Pennsylvania provide for merger and for the obligations imposed on the surviving corporation to a merger.

The question, therefore, is: can a surviving corporation of a *de facto* merger in Pennsylvania escape liability on a contract of the merged corporation of which contract it had no knowledge at the time of the merger. The answer is, petitioner submits, "No."

In the first place, the obligations imposed by Pennsylvania law upon the surviving corporation of a *de facto* merger are no less than those imposed on the surviving corporation of a *de jure* merger. This court in *Helvering v. Metropolitan Edison*, 306 U. S. 522 (1938), affirming the Third Circuit Court of Appeals said:

"The court below has held, and we concur that, under the laws of Pennsylvania, the transfer in question constituted a *de facto* merger, even though the transfer did not comply with all the provisions of the Act of 1874, and that, as matter of law, the tax payer would be liable for the debts of the transferor."

And the Supreme Court of the Commonwealth of Pennsylvania in *Commonwealth v. Merchants National Bank of Allentown*, 323 Pa. 124, 185 Atlantic 823 (1936) said:

"We cannot adopt a rule that would permit the repudiation of lawful obligations by the failure of two corporations to observe required procedural steps in uniting their property under one charter. It is sufficient to say that the declared policy of this commonwealth governing consolidation *de jure* requires similar assumption of liability by consolidations in fact."

The ultimate question then is: what is the effect on the respondent Sharon Steel's liability under this Settlement Agreement of respondent's not knowing of it when it took the Sharon Railway Supply Company assets? The Supreme Court of Pennsylvania has squarely held that the obligation of the surviving corporation of a *de facto* merger is not avoided by the fact that the surviving corporation did not know of the existence of the obligation of the merged corporation at the time that the *de facto* merger was effected, *Commonwealth v. Merchants National Bank of Allentown*, 323 Pa. 124. In this case a Trust Company organized under Pennsylvania laws lawfully became surety on a guardian's bond. Thereafter, in 1929, the Trust Company and a National Bank contracted to consolidate and all of the Trust Company assets were conveyed to the National Bank. The consolidation steps did not comply with the law and at best constituted a *de facto* consolidation. The guardian defaulted and the minor sued the bank on the bond. The bank denied knowledge of the bond at the time of consolidation and stated that had the bond been disclosed, there would have been no consolidation. The Pennsylvania Supreme Court accepted these contentions as true, and then held the bank liable on the ground that a surviving corporation of a *de facto* merger is liable for the absorbed corporation's liabilities whether it knew of them or not.

This question, this argument, and these authorities were all submitted to the Circuit Court of Appeals for the Seventh Circuit, as well as to the trial court. Neither court mentioned either the question or the authorities. We submit that the question here presented is an important question and has been decided probably contrary to decisions of this court and of the Supreme Court of the Commonwealth of Pennsylvania.

Reason 4 (Re: Question 3):

In deciding that the respondent Sharon Steel is not bound by the Settlement Agreement, Ex. 1, as the silent joint adventurer with and financier of the Sharon Railway Supply Company, in getting the order for and profiting by the sale of the tie irons which became the subject of that agreement, the Circuit Court of Appeals has decided an important question of Pennsylvania law in a way probably in conflict with this applicable Pennsylvania decision,—*Nolan v. Doyle*, 338 Pa. 398, 13 Atl. 2d 59 (1940).

This is an important question. Its answer determines whether or not a responsible party may damage a third party in the course of a venture for profit with an irresponsible party and avoid liability because its relationship to the transaction was not publicly known.

The question here presented is solely a question of law. The facts disclose four acts of the respondent Sharon Steel extending throughout 1935 wherein the respondent joined with the Supply Company in attempting to get the Pennsylvania Railroad tie iron account. (1) The respondent Sharon Steel obtained for the Sharon Railway Supply Company the very order for tie irons from the Pennsylvania Railroad that resulted in the Settlement Agreement (Finding of Fact 13a) (R. 990). (2) After the petitioner orally charged the Sharon Railway Supply Company with infringement in an interview at Sharon, Pennsylvania, on April 21 or 22, 1935 (R. 324, lines 2 and 3 on), and commencing on April 26, 1935 (Ex. M, R. 813), and continuing through November 18, 1935 (Exs. N, O and P, R. 813, 814), the respondent Sharon Steel joined with the Sharon Railway Supply Company in endeavoring to sell the Pennsylvania Railroad a crinkled "C" iron. The respondent crinkled the steel for these experimental irons, (Stipulation, R. 152). (3) The respondent throughout 1935

financed the insolvent Sharon Railway Supply Company (R. 620, lines 4 to 6). (4) The Sharon Railway Supply Company supplied the respondent Sharon Steel with tonnage lists so that respondent Sharon Steel's salesmen could get tie iron business for the Sharon Railway Supply Company (R. 150). The trial court's Findings of Fact made no mention of these facts. Additionally, both companies profited by the sale of these 1935 accused irons: Sharon Railway Supply Company got the profit on the fabrication of the tie irons and the respondent Sharon Steel got the profit on the steel used in the tie irons (R. 123-124). The respondent's participation in getting the order was not publicly known (R. 323) and the respondent denied participation therein in the present suit until it was proven at the Philadelphia deposition (see Exs. 27-1, 27-2 and 28, R. 631 to 635 and Finding of Fact 13a, R. 990).

Petitioner charged only the Supply Company with infringement (R. 323 and R. 609) and the Supply Company alone executed the Settlement Agreement, Ex. 1 (R. 560). The respondent did not then participate in the Settlement Agreement or know of its execution, according to Findings of Fact 13 and 13a.

Upon these facts, the Supreme Court of Pennsylvania would probably find the defendant a joint adventurer. That court in *Nolan v. Doyle*, 338 Pa. 398, 13 At. 2d 59 (1940) at 62 said that corporations could enter into joint adventures and found that a single dredging operation by two corporations for mutual profit was sufficient to establish a joint adventure and justify protection of a damaged third party against either joint adventurer. In 33 C. J. 841, there is the following definition:

"A joint adventure has been aptly defined as a special combination of two or more persons, where in some specific venture a profit is jointly sought without any actual partnership or corporate designation."

So far as is known, this court has never passed on the common law doctrine of joint adventurers. In the recent case of *Fleischer v. U. S.*, 311 U. S. 15 (1940) the Circuit Court of Appeals for the Second Circuit had held that notice to one joint adventurer was good as against another joint adventurer (107 Fed. 2d 925 C. C. A. 2d (1939)). The question was not submitted to this court for consideration, this court saying:

“* * * at this bar, the actual receipt of the notice and the sufficiency of its statements have not been challenged.”

The facts in the case at bar establish a much stronger case for finding a joint adventurership than to the facts in *Nolan v. Doyle*, 338 Pa. 398.

As for the effect of establishing a joint adventureship here, 33 C. J. 871, Sec. 99, clearly states the obligations of joint adventurers to third parties:

“As to third persons who deal with a joint adventurer in good faith and without knowledge of any limitations in his authority, the law presumes him to have been given power to bind his associates by such contracts as are necessary to carry on the business in which the joint adventurers are engaged, and they become liable on such contracts, notwithstanding they may have expressly agreed amongst themselves that they should not be liable.”

And in the case of *Anderson v. Weber and Rabsilber*, 162 App. Div. N. Y. 725 (1914), Appeal Dismissed, 220 N. Y. 763, 116 N. E. 1033, the court held that a first adventurer was bound to pay for merchandise delivered late under a contract where a second joint adventurer had waived the contract's time requirement without the knowledge of the first joint adventurer.

Similarly, in the case at bar, one joint adventurer, the Sharon Railway Supply Company, was notified of infringement in 1935, and settled the charge. The Settlement should be equally binding upon the respondent, Sharon Steel.

Reason 5 (Re: Questions 4 and 5):

In deciding that patent claims may be narrowed despite an acknowledgment of validity of the claims, the Circuit Court of Appeals for the Seventh Circuit has rendered a decision in conflict with this decision of another Circuit Court of Appeals on the same matter, *Nachman Spring Filled Corp. v. Kay Mfg. Co.*, 139 F. 2d 781, 59 U. S. P. Q. 349, at 355, C. C. A. 2d (1943).

This is an important question. Its answer determines whether or not lawyers can settle a patent infringement charge or must litigate the charge. Thus, in the present case, the petitioner charged infringement in 1935 and the respondent's joint adventurer, the Sharon Railway Supply Company, did not think that petitioner's devices were of sufficient importance to justify litigation (R. 591, fourth from last line, to R. 592, line 4) and the patent attorney for the Sharon Railway Supply Company advised the latter that the 1935 accused devices infringed the petitioner's patent (R. 611, 612). In 1935, the petitioner could have done one of two things: (a) he could sue or (b) he could settle. (a) If he sued, and the Sharon Railway Supply Company did not defend, the court would have entered a decree finding the patent valid and the claims infringed. Thereafter, when the respondent brought out the presently accused devices, the petitioner would have instituted contempt proceedings to determine if the accused devices were merely a "colorable" departure from the 1935 accused devices. By contempt proceedings, petitioner's chances of prevailing against the presently accused devices would have been very good. (b) If petitioner settled by accepting an acknowledgment of validity and a promise not to infringe again, there being no price fixing clauses as were involved in *Sola Electric Co. v. Jefferson Electric Co.*, 317 U. S. 173, 55 U. S. P. Q. 379, or any other clause in violation of the federal anti-trust laws, presumably the

petitioner would have a legal right approximately as good as if he had ignored the Sharon Railway Supply Company's desire to settle.

It is submitted that authority is not necessary to substantiate this statement: the policy of the law is to encourage the settlement by parties of legal controversies where the settlement has not illegal ulterior objects or does not result in frustrating the laws. In the present case, the Settlement Agreement, Ex. 1 (R. 560), is a simple document. It contains no price fixing agreements or any clauses intended to give the petitioner a monopoly on anything but the legally granted patent monopoly.

The Circuit Court of Appeals has not enforced the acknowledgment of validity clause in deciding Count I. Presumably the reason is that the Circuit Court of Appeals did not think that this respondent was bound by the Settlement Agreement. The Circuit Court of Appeals did not say so, however, in discussing Count I. The Circuit Court of Appeals' handling of Count I indicated that it felt free to narrow the claims so as to emasculate them of all value while nevertheless holding the patent valid. Neither the trial court nor the Circuit Court of Appeals invalidated a single claim.

The petitioner submits that the present decision is in conflict with the recent decision of the Second Circuit Court of Appeals in *Nachman Spring-Filled Corp. v. Kay Mfg. Co.*, 139 F. 2d 781, 59 U. S. P. Q. 349. In the *Nachman* case, the plaintiff sued the defendant on patents 1,352,157 and 1,411,227 and got judgment. While the suit was in progress, the defendant brought out a device that infringed plaintiff's patent 1,793,724, not involved in the suit. The parties settled all controversies by an agreement which acknowledged the validity of all these patents and which contained a promise not to infringe again. As to patent

1,793,724, the facts in the *Nachman* case are identical with those of the case at bar. The defendant in the *Nachman* case then brought out a device that the plaintiff in a suit charged was an infringement of patent 1,793,724, which patent had not been litigated. The Second Circuit Court of Appeals squarely held that *the validity of the patent could not be attacked* if the agreement was not in violation of the federal anti-trust laws or some state law *and declined to narrow the plain meaning of the words of the claims so as to avoid infringement*. (The court remanded the case to take evidence as to whether the agreement was in violation of federal or state laws.)

In the case at bar, claim 3, for example, calls for an open polygon type iron having a body portion and diverging arms with an "angulate member" at the end of each arm. The word "angulate" means "having angles", *Webster's New International Dictionary*, Merriam, Second Edition, Unabridged, page 104. The claim specifies no degree of angularity. In applying the claim to the accused devices, the Circuit Court of Appeals declined to treat each end crinkle as an angulate member and said that the accused devices lack "L-hook terminals". Thus, in substance, the court held that the words "L-hooked terminals" must be read into the words "angulate member". All one need do to avoid petitioner's patent is to use a 110° angle instead of a 90° angle.

Is such narrowing of the claims permissible when the parties have acknowledged the validity of the claims in the form appearing in the patent? The Patent Office did not think that claims 1, 2, 3 and 4 included the limitation "L-hooked terminal" because claims 5 and 6, not here charged to be infringed, contain substantially the same limitation—"L-shaped terminals". Claim 5 differs from claim 3

only in that claim 5 calls for the "angulate member" terminal. There is no justification for two claims if they both mean the same thing.

Moreover, the parties to the Settlement Agreement did not think that claims 1, 2, 3 and 4, could only be infringed by a device having an "L-hooked terminal" because the parties agreed that the 1935 devices were infringements and each end lug on these devices is not an "L-hooked terminal" but a straight lug at an angle of about 135° to the arms. *Indeed, the parties thought that the gist of petitioner's invention resided in the three sided open-polygon shape. Sharon Railway Supply Company's lawyer in telling Sharon Railway Supply Company how to avoid the petitioner's patent suggested that the shape be changed (R. 611).* He said, "If this iron were bent in a different manner—say thus (illustration) it would not infringe the claims of this Beegle patent for these claims require the body or center portion of the body to be straight." And the attorney's illustration shows single end lugs which are not at right angles to the diverging arms.

The Circuit Court of Appeals ignored the intention of the parties and the effect of the acknowledgment of validity, and narrowed the claims in view of prior art not considered by the Patent Office.

Plaintiff submits that if the defendant is bound by the Settlement Agreement, the words of the claims are to be given their ordinary meaning. This is the holding of *Nachman Spring-Filled Corp. v. Kay Mfg. Co.*, 59 U. S. P. Q. 348 at 354, C. C. A. 2d. If given their ordinary meaning, the claims in suit are infringed in terms. As for the crinkles in the body portion and arms of the accused devices, this is nothing but adding something to a patented structure and does not avoid infringement. See *Sanitary*

Refrigerator v. Winters and Crampton, 280 U. S. 30, 3 U. S. P. Q. 40 at 44; *Madden v. Appleton*, 115 F. 2d 589, 47 U. S. P. Q. 293 C. C. A. 7th (1940).

Reason 6 (Re: Question 7—Count II):

In ruling that the criterion for retermining the infringement of the patent under Count I is the correct criterion in determining what constitutes a breach of the Settlement Agreement under Count II, the Circuit Court of Appeals has decided an important question of local law probably in conflict with applicable local decisions.

The Circuit Court of Appeals disposed of Count II by assuming that the respondent, Sharon Steel, was bound by the Settlement Agreement and then said, R. 1165:

“Inasmuch as defendant’s device did not infringe, there is no breach of contract. Defendant never agreed to refrain from manufacturing non-infringing devices.”

The petitioner submits that this is incorrect. The parties agreed that the Sharon Railway Supply Company (respondent) was not to make a tie iron which constituted what the parties thought at the time of making the agreement to be an infringement,—not what a judge at some future date might decide was an infringement.

The Settlement Agreement indicates what the parties deemed to be an infringement. For in that agreement, R. 560, there appears:

“Whereas the company (Sharon Railway Supply Company) sold and delivered to the Pennsylvania Railroad Company, a certain order of five hundred thousand (500,000) anti-splitting devices for cross ties, *which devices, it is mutually agreed, were infringements of said letters patent;*”

These are the devices, Ex. 3, R. 563:



The degree of angularity between the end lugs and the arms of these devices varies from 110° and 140° . None of the angles are right angles and none of the straight end lugs are "L-hooked terminals". In signing the Settlement Agreement, therefore, the parties agreed that a device could not escape infringement of the claims of the patent in suit because the angle of the end holding lug was not a 90° angle with the arm.

Petitioner submits that the parties to the Settlement Agreement agreed that petitioner's patent covered the open polygon shape of the tie iron,—not the end terminals. More-over, what the parties thought the petitioner's patent covered may be inferred from what the trade thought the patent covered, and the A. R. E. A. when adopting the petitioner's "Saf-Tie" iron relied on *shape*, not terminal holding members. The A. R. E. A. report at R. 727 says:

"The result of this test indicates that all these *shapes* of irons, viz., the 'C', 'S' and 'Saf-Tie', when properly applied will meet the requirements."

Sharon Railway Supply Company entered into the Settlement Agreement after its attorney advised that the important element of Beegle's claims to avoid *was the open polygon Shape*, see R. 611 where the word "bent" is used.

The Circuit Court of Appeals has ignored this under-

standing of the parties to the Settlement Agreement, for in deciding that there was no infringement under Count 1, the court said that the accused devices "lack the L-hook terminals", completely ignoring the identical shape of the irons. By this the court decided that the *scope of the claims was so narrow that they were not infringed by the devices accused in 1935.*

It may be that the Circuit Court of Appeals is right in concluding that, as a technical patent question, an L-hook terminal must be read into every one of the petitioner's claims and that consequently the petitioner's claims do not even read on the accused devices of 1935. But the parties expressly contracted to the contrary in 1935 and it is submitted that a contract must have sanctity and must be enforced.

In determining the meaning of the words "to cease from and refrain from further infringement thereof." found in the Settlement Agreement, the Circuit Court of Appeals has decided that the respondent only promised not to again infringe the patent. What constitutes infringement of a patent will vary with the judge who decides that question. *While a court may decide what constitutes non-infringement in the absence of an expressed intention by the parties, it is submitted the court may not rely on factors which the parties have agreed do not affect the question of infringement.* This is exactly what the Circuit Court of Appeals has done in making the question of infringement turn on the configuration of the end terminals. In Williston on Contracts, Revised Edition, Volume 3, Section 607, there appears the following statement under "Standard of interpretation where a writing has been adopted,"

"According to the weight of authority and on principle, where the parties have assented to a writing as an expression of their agreement, or where a writing

is required by law, the standard of interpretation is the standard of limited usage, that is, the ordinary meaning of the writing to parties of the kind who contracted at the time and place where the contract was made, and with such circumstances as surrounded its making."

And the Restatement of the Law on Contracts, Vol. 1, Sec. 230 which uses the word, "integration" as the equivalent of "writing" says:

"The standard of interpretation of an integration, except where it produces an ambiguous result, or is excluded by a rule of law establishing a definitive meaning, is the meaning that would be attached to the integration by a reasonably intelligent person acquainted with all the circumstances prior to and contemporaneous with the making of the integration, other than oral statements by the parties of what they intended it to mean."

In the case of *Wooster v. Trowbridge*, 120 Fed. 667 C. A., 2nd (1903), there was a controversy as to whether the words, "damages for infringement" included "profits for infringement." In deciding that the latter term was included in the former, the court said on 668:

"In order to interpret the agreements properly it is necessary that they should be considered only in the light of the facts existing at their inception."

On page 670 the court said:

"We are convinced that the parties never had in contemplation an agreement which permitted Korscheidt to recover one-quarter of a judgment entered 20 years after the date of the agreement in a suit which he did not institute or promote."

The law seems clear that we should look to the parties who signed the Settlement Agreement, their statements and the statements of their lawyers to find out whether or not the agreement is avoided by the simple expedient of crinkling the steel in the iron.

When, therefore, the Sharon Railway Supply Company (Respondent) agreed that it would not again infringe, it meant that it would not again make an iron of open polygon shape.

Petitioner submits that this is the law. It is the exact converse of the rule applied by the Circuit Court of Appeals.

Petitioner submits that this is an important question. The vast majority of controversies over patents are settled without resort to the courts. When such settlements are made, the parties of necessity have to agree as to what constitutes an infringement. It is not the intention of the patentee when such agreements are signed that the agreement shall be invalidated ten years later because of a change in judicial attitude as to the scope of claims.

What has happened in the instant case illustrates the evils that follow from failure to enforce a contract. Petitioner's invention was considered of little value in 1935 when the Settlement Agreement was signed (Jones letter, top of R. 592). By strenuous work during the years 1935, 1936 and 1937, petitioner pushed his invention to an important position. A financially responsible party then saw that the Settlement Agreement was disadvantageous and devised the accused devices to circumvent the Agreement. Its right so to do should not depend upon 1943 concepts of infringement, but upon the criterion of infringement laid down by the parties to the Settlement Agreement.

Reason 7 (Re: Question 6):

By substituting its judgment as to the validity of a patent for the judgment of the Patent Office, the judgment of the only official non-partisan group of experts in the field, the judgment of a substantial portion of the purchasing public, and the judgment of competitors, and in ignoring the fact that respondent sold the accused devices by urging the very advantages ad-

vanced by the patentee to the Patent Office as the means of being granted a patent, the Circuit Court of Appeals has decided a federal question relating to the presumption of validity that attaches to a United States patent in a way probably in conflict with applicable decisions of this court.

At the present time, this court is on record to the effect that a patent granted by the United States Patent Office carries a presumption of validity.

In *Radio Corp. v. Radio Engineering*, 293 U. S. 522, 21 U. S. P. Q. 355 (1934) this court said at

"A patent regularly issued, and even more obviously a patent issued after a hearing of all the rival claimants, is presumed to be valid until the presumption has been overcome by convincing evidence of error."

In order to give effect to this presumption, a trial judge should not invalidate a patent unless there is a clear showing that the Patent Office was wrong in granting the patent. This presumption has long attached to patents and while not statutory, it is based on the thought that specially trained men in the Patent Office are better qualified to determine invention than the average lay judge.

Today, the courts do not seem to give more than lip service to this presumption. Trial judges freely consider the effect of the prior art relied upon by the defendant even though that prior art is the same or no better than the prior art considered by the Patent Office. Petitioner's counsel believes that this tendency to ignore the presumption of validity attaching to a patent is a judicial extension of this court's attitude toward patentees who misuse their patents, as exemplified in the line of decisions terminating recently in the *Mid-Continent v. Mercoid* case, 60 U. S. P. Q. 21, 320 U. S. (1944). This court's determination to curb such practices, however, does not mean

that this court has repudiated its position that a patent has a presumption of validity.

Upon the presumption of validity rests the entire patent structure of this country. Without this presumption, there is no reason for having a large United States Patent Office. Without the presumption an inventor should, like a writer or composer, simply file a claim of invention and obtain a certificate. In the event of infringement, the patentee would have to establish his patent in the courts,—as does a copyright proprietor.

It is submitted that such procedure as to patents is exactly what Congress wished to avoid. The number of different arts in the world is almost myriad and the ability of any one man to determine an advance in any given art is small. The theory of requiring the Patent Office to search the prior art by a competent man in the given art before a patent is granted is justifiable only if the examination and opinion of an expert are deemed worthwhile. The plain inference from Sec. 482 of the Revised Statutes, 15 U. S. C. Sec. 7, is that patents shall be freely granted, and that where refused, such refusal must be approved by examiners in chief who “shall be persons of competent legal knowledge, and scientific ability.”

When, therefore, the United States Patent Office has decided that there has been a patentable advance in the art, it should be set aside only when there is a clean cut showing that the Patent Office has overlooked something and that the thing overlooked is substantially better prior art than the matter considered by the Patent Office.

The importance of deciding whether or not there is a presumption attaching to a patent is in no small part dependent upon the importance of the patent system to our economic life. The petitioner submits that, next to hard work, the patent and copyright systems are the greatest

equalizers of wealth that exist in the country today. Fortunes in this country have been accumulated largely as a result of speculations in real estate, speculations in industry, profits derived from inventions and copyrighted material, and from the attrition quality of capital. It is everywhere evident that the first two of these factors are declining in importance. The stabilization of population has limited speculative enterprises in real estate and industry with the result that the man who has capital, which for the most part is now inherited, has a tremendous advantage over *novi homini*. So long, however, as this nation rigorously and liberally enforces the patent and copyright laws, men without means who, however, create things, can by virtue of the monopoly given them and by public use, obtain for themselves that necessary additional profit which gives them a foothold in the competitive world. The writer believes that copyrights and patents stand on the same foundation and that only when these two branches of the law are rigorously enforced, at least in favor of individuals, can our society avoid that resulting rigid stratification of property between those who have by inheritance and those who have not,—also by inheritance. An established business which has distributors and dealers throughout the country, has an overwhelming advantage in keeping the individual small enterpriser from breaking into the competitive field.

As for how the foregoing applies to the case at bar, Beegle was a day laborer in the tie yards of the Moss Tie Company of East St. Louis, Illinois, commencing about 1922. He had spent a substantial portion of his life as a lumberjack in the Pacific Northwest where he acquired an excellent knowledge of woods. In 1923 he was driving "S" and "C" irons in the ends of ties which had just been stacked for the purpose of seasoning them for six months

or a year prior to placing them in track. He decided that "S" and "C" irons were so shaped that they could not fully attain their objectives, and he got into the habit in his spare time of straightening out "S" and "C" irons and reshaping them to various configurations so as to anticipate certain kinds of splitting. By 1926 he had perfected a "Z" iron for single ironing the end of a tie and the present invention for double ironing the end of a tie. In 1926 or 1927 he submitted these irons to the Tie Committee of the American Railway Engineering Association, which committee is composed of those men employed by the various railroads of the country best qualified to judge the merits of such a device. After extensive experiments conducted in 1927 to 1930, this committee in 1930 adopted the petitioner's iron as a third standard iron along with the "S" and "C" irons. This committee's opinion is non-partisan and should carry great weight.

The petitioner built his own machines to make his iron and has never tried to make either "S" or "C" irons. By 1935 he had reached a place where he was doing between five and ten per cent of the entire tie iron business of the United States. Highland Steel of Terre Haute, Indiana, National Forge of Louisville, Kentucky, Laclede Steel and Western Wire Products Company of St. Louis, Missouri, all asked for licenses and these were declined. The respondent's predecessor, Sharon Railway Supply Company, infringed and signed the Settlement Agreement. The respondent itself in 1938 asked for a license. Up until the infringement started in 1938, the patent in suit had been recognized as valid by every manufacturer in the field.

The respondent has described the accused devices to the trade as possessing the very advantages which Beegle claimed for his iron in his patent and which he claimed for his iron in his advertising. Consider this chart.

The patent in suit describes the patented iron as follows:

Sharon Steel describes the "structure, design, operation and principle" of the accused iron in its advertisement, Ex. 96, R. 749, as follows:

Beegle has described his commercial iron in his advertisement, Ex. C. R. 763, as follows:

1. "The length of the body portion a of my improved iron has been determined with reference to these usual lines of 'spike split.'

2. "The angular faces and terminal members of my device serve effectively to prevent yielding or slippage along this line * * * R. 1050, ll. 53-56

3. "A further object is the provision of an anchor having a maximum range of adaptability for meeting the demands of * * * wind shakes, spike split, season checking and other irregularities * * * R. 1049, ll. 21-28

4. "One of the objects of this invention is to provide a double purpose reinforcing iron, which iron is equally adaptable for use as a single iron, or which can be used to advantage where two or more irons are employed for reinforcing the end sections of a railway tie." R. 1049, ll. 10-16.

1. "In addition to these two designs the Sharon 'special' iron is especially adaptable for marginal reinforcement.

2. "Its angular shape and open side provide reinforcement for all vertical and diagonal radial lines

3. "and it can be reshaped to fit any form of checking.

4. "The 'Special' design is particularly suited for double ironing, a practice which is increasing in popularity on many road."

1. "The main body portion is naturally adapted for horizontal alignment with the stresses that operate across the top and the bottom of the tie.

2. "The obtusely angled arms cross the diagonal radials without recrossing these natural lines of split * * *

3. "When unusual situations make advisable the reshaping of an anti-splitting device by a driver, the Saf-Tie iron is readily bent to the desired form * * *

4. "Properly placed in pairs with the open side toward the pith of the tie and so placed before destructive action has started, Saf-tie iron can reasonably be expected to reduce to a practical minimum losses through cross-tie splitting."

Finally, the petitioner's patented iron has met with substantial commercial success. The tie irons are purchased only by railroads using hardwood ties and these railroads for the most part are in the New England, North Middle Atlantic and Eastern Central states. Petitioner's tie iron has been adopted by the Pennsylvania Railroad, the Burlington Railroad, the North Western Railroad and the Wabash. Some irons have been sold to the New Haven. At the time when this infringement started, approximately one-third of all tie irons sold in the United States were sold by the petitioner. At the present time, if the accused device is considered to be the petitioner's type of iron, approximately one-third of all the tie irons sold in the United States are petitioner's type.

In filling the Pennsylvania Railroad orders for tie irons, the respondent has filled them with accused devices even though these orders called for petitioner's "Saf-Tie" irons. When the respondent got the approval of the Pennsylvania Railroad to purchase these irons, they were represented by the respondent to meet the A. R. E. A. specifications which call for a "Saf-Tie" iron.

In the face of these facts, the Circuit Court of Appeals has narrowed the petitioner's claims to a point where they have no value. In substance, the Circuit Court of Appeals invalidated the claims. The claims in suit, 1, 2, 3 and 4, differ from claims 5 and 6 in that they do not state that the terminal holding members have to be "L"-shaped. Yet the Circuit Court of Appeals read the word "L-shaped" or "ninety-degree angle" or "L-hooked" terminal into the first four claims. This was done on the same prior art considered by the Patent Office or upon prior art that was no better than that considered by the Patent Office (excepting dowels). The two best references relied upon by the Circuit Court of Appeals were Williams 1,201,008 and 1,208,255, both showing tie irons. Williams was brought

from California to the trial and testified that he was primarily interested in making the steel strip for tie irons and that the steel strip which he designed was found by him upon experiment to be valueless (R. 547). Thereupon, he abandoned his tie irons and gave nothing of any value to the nation. One of these patents was not cited by the Patent Office but the patents lie in the same box one on top of the other in the Patent Office files (Ex. WW, R. 942), and in citing references, an Examiner acts under an order of the Commissioner of Patents requiring him to cite only the best art and not to repeat himself by citing equivalent art.

The Circuit Court of Appeals also relied on the small nails of Walker, 300,536, Starr 547,093 and Rasner, 515,168. These small nails are known to everyone as devices for clamping together two edges of seasoned wood such as the mitered edges of a window screen. The Patent Office considered devices like this and it did not consider that such art was anticipatory of a tie iron (Ex. AA-1, R. 933).

Finally, the Circuit Court of Appeals relied upon two dowels, Fiebig, 436,584 and Sayre, 180,070. A dowel is not a drive device. A dowel is a device that is placed in a prepared hole and is intended to function for its structural strength as well as its tensile strength. The result is that a dowel must be made of heavy metal and consequently cannot be driven into wood because to drive would be to split the wood, thereby defeating the entire purpose of a tie iron. *The Patent Office did not consider dowels as anticipatory and does not classify dowels with drive devices* (Ex. WW, R. 941-942).

Petitioner submits that such invalidation does not show that the Patent Office was clearly wrong in granting the patent and for all substantial purposes negatives any presumption of validity attaching to the patent. A decision which relies for its validity upon the use by an inventor of

the words "timber anchor" in place of "tie iron" in his claims when the inventor prosecuted his patent application himself, is based on a ground which ignores the intent and purposes of the patent law.

An examination of the accused devices and the patented device shows that they differ in just one respect, namely, that the accused device is crinkled throughout its length. The accused device does have angulate terminals, it does have a main body portion and it does have two diverging arms at each end thereof. To invalidate a patent either directly or by narrowing the claims on the basis of such art which was expressly brought to the attention of the Patent Office is to substitute the judgment of the courts for the judgment of the Patent Office and it is submitted that such is not the intention of Congress.

Re: Questions 8 through 11:

If the court grants certiorari, the petitioner would like to argue questions 8 through 11.

Respectfully submitted,

MAX W. ZABEL,

WILFRED S. STONE,
Of Counsel.

Received five copies of the foregoing Petition for Certiorari and Supporting Brief this _____ day of March, 1944.

HARRY W. LINDSEY, JR.,

*On behalf of all attorneys for
all defendants.*





(13)

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IN THE
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1943

No. 817

RAYMOND E. BEEGLE, doing business as
BEEGLE TIE SERVICE COMPANY,

Petitioner,

vs.

CHARLES M. THOMSON, as Trustee for CHI-
CAGO & NORTH WESTERN RAILWAY
COMPANY, and SHARON STEEL COR-
PORATION,

Respondents.

On Petition for Writ
of Certiorari to the
United States Cir-
cuit Court of Ap-
peals for the Sev-
enth Circuit.

**BRIEF FOR RESPONDENTS
OPPOSING PETITION FOR WRIT OF CERTIORARI**

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IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, A. D. 1943
No. 817

RAYMOND E. BEEGLE, doing business as BEEGLE
TIE SERVICE COMPANY,

Petitioner,

vs.

CHARLES M. THOMSON, as Trustee for CHICAGO
& NORTH WESTERN RAILWAY COMPANY, and
SHARON STEEL CORPORATION,

Respondents.

On Petition for Writ
of Certiorari to the
United States Cir-
cuit Court of Ap-
peals for the Sev-
enth Circuit.

BRIEF FOR RESPONDENTS
OPPOSING PETITION FOR WRIT OF
CERTIORARI

The decisive questions in this case were questions of fact. These were found by the Trial Court in favor of the respondents and the Appellate Court affirmed the findings.

There is no diversity of decision in any court; no issue of fact properly reviewable in this Court; no question of law to be settled; and nothing to challenge the supervisory powers of this Court.

There is no question of general importance presented; and the instant case is not fraught with wide public interest. It is a private controversy between the parties.

The petition discloses nothing more than a desire to relitigate in this Court the merits of the issues which have been

finally and correctly determined against the petitioner, by concurrent findings of fact in the District and Appellate Courts, upon the very same contentions which are now made.

The Petition and the Brief do not present anything to justify a Writ of Certiorari upon any one of the grounds set forth in Court Rule 38-5(a) or (b). On the other hand, the statement of the case and the supporting Brief are more concerned with showing *error* below, and do not particularly point out any *actual conflict* with the decisions of this or other Courts.

A PRELIMINARY STATEMENT.

The Petition and Brief are so complicated, if not incoherent, in character, as to be very confusing and difficult to follow and in a large part wholly ignore the specific Findings of Fact of the District Court and the fact findings of the Appellate Court as expressed in its Opinion. We, therefore, feel constrained at this point to make a brief preliminary statement.

For the convenience of this Court we are printing as an Appendix hereto the Memorandum (page 32, at bottom, *infra*), and the Findings of Fact and Conclusions of Law of the District Court (page 35, *infra*), and also the Opinion of the Court of Appeals for the 7th Circuit (page 43, *infra*). The page numbers of the Record appear at the upper outside corners of the pages.

The Proceedings Below.

When Petitioner filed his amended Bill of Complaint he only charged Respondents with infringement of his patent (Count I, R. 3), but later he filed four additional amend-

ments charging Respondent* Sharon Steel with breach of contract (Count II, R. 15, 224), several acts of unfair competition (Count III, R. 15 to 18, 157), and several violations of the Anti-Trust Acts (Counts IV and V, R. 157, 158, 225, 956).

By agreement of the parties (Finding 4, *infra* 36) the cause was separated into two parts and Part 1, consisting of Counts I and II was tried in December 1941.

Before the Trial of Part 1, plenary proofs had been taken on all of the Counts before the case was separated into two parts, by the *Petitioner's Depositions* and Exhibits submitted by—

Herbert E. Hetu, Public Accountant, (R. 65)
Howard William Wellman, Sharon Employee, (R. 83)
George Edwin Wellman, Sharon Employee, (R. 99)
Joseph H. Jones, Sharon Employee, (R. 112)
Bertha M. Shaughnessy, (Mrs. Lloyd), (R. 46)
F. M. Gray, P.R.R. Accountant, (R. 185)
E. J. Lamneck, P.R.R. Purch. Agent, (R. 230)
A. E. Owen, P.R.R. Purch. Agent, (R. 253)
Sharon's Verified Answers to Beegle's Interrog. (R. 208)
Stipulation re Joseph H. Jones Deposition, (R. 278)

At the Trial on Part 1, the testimony of the following witnesses was taken in Open Court, for the Petitioner:

Raymond E. Beegle, Petitioner, (R. 287, 356, 473, 555)
John Foley, P.R.R. Forester, (R. 331)

*We will refer to Petitioner, Beegle, as "Petitioner", and to the Respondent, Sharon Steel Corporation, as "Sharon Steel". Respondent, Thomson, as Trustee for Chicago & North Western Railway Company, is deceased and a motion to substitute Claude A. Roth for Thomson is pending before this Court. We will refer to this Respondent as the "C. & N. W. Ry.". Emphasis ours throughout unless otherwise indicated.

Dred C. Seymour, Beegle's step-son, (R. 398)
Mrs. R. E. Beegle, wife of Beegle, E. St. Louis, (R. 400)
J. F. Cook, Jr., Beegle's patent attorney, (R. 401)
Arthur C. Buterbaugh, Sharon Salesman, (R. 416)
William J. Thomas, Sharon Salesman (R. 422)
Mason Evans, Jr., Sharon Credit Mgr., (R. 449)
Thomas M. Galbreath, Vice-Pres., Sharon Steel, (R. 465)
Walter S. Jackson, Sharon Works Manager, (R. 469)
W. E. Williams, Consulting Eng. and Pat. Atty., (R. 541)
Frank S. Dodge, Beegle's Investigator, (R. 553)

And for the Defendants:

J. M. Hughes, Ass't to Sharon Steel's President (R. 478)
Joseph Frease, Patent Counsel for Sharon Steel, (R. 481)
Raphael R. Poux, Erie R. R. Timber Inspector, (R. 491)

In connection with the foregoing *Depositions, Interrogatories, Stipulation, and Testimony Before Trial, and the Testimony at the Trial*, Plaintiff introduced in evidence *One Hundred and Two* (102) Exhibits and the Defendants introduced in evidence some *Eighty-two* (82) Exhibits; of which Exhibits the more pertinent ones were before the Courts in the consideration of *both parts of the case*.

At a Pretrial Conference, held shortly after the trial of Part 1, comprising Counts I and II, Sharon Steel filed its Motion for Summary Judgment as to Part 2, comprising Counts III, IV and V, upon the pleadings, depositions, testimony at trial of Part 1, answers to interrogatories and admissions on file (*infra* 36, 37).

Exhaustive briefs were filed by both parties on all issues (*infra* 37) and the District Court later entered its Memorandum Opinion (*infra* 32) and its Finding of Fact and Conclusions of Law (*infra* 35, 41) and at the same time the Final Judgment (R. 994) dismissing the entire complaint for want of equity and awarding costs to the defendants.

The Charges and Their Disposition Below.

Count I (R. 3) charges infringement of Petitioner's patent for "Timber Anchor" by a crinkled iron made for Respondent, C. & N. W. Ry., by Respondent, Sharon Steel. The District and Appellate Courts both held there was no infringement. The District Court on finding no infringement stated "The two irons are different in structure and different in principle and operation." (Finding 7, *infra* 37), and that the accused "iron is fully justified by the prior art" and that if the accused iron infringes, the claims in suit "are invalid for anticipation and lack of invention." (Finding 9, *infra* 38.) The Appellate Court found that "defendants more clearly adhere to the prior art and avoid the very elements which, it seems to us, led to Beegle's grant," and that "the patented device and the one accused are far from being identical or equivalent to each other in structure, design, operation or principle." (*Infra* 46, 47.)

Count II (R. 15,224) charges that Sharon Steel manufactures and sells the accused iron in violation of the 1935 "Settlement Agreement" between Petitioner and the Sharon Railway Supply Company (called "Supply Company"), under which Agreement, Supply Company settled its alleged past infringement of Petitioner's patent and agreed not to infringe in the future. With respect to these charges Petitioner alleges that Sharon Steel purchased the rights and liabilities of the Supply Company and participated in the alleged infringement for which the Supply Company settled and that, therefore, Sharon Steel is bound by the Agreement.

The District Court made specific Findings to the exact contrary (Findings 12 to 14, *infra* 38, 39). The Appellate Court specifically refers (*infra* 48, 50) to these Findings

of the District Court and found they were amply supported by the Record. The Appellate Court also held that "Defendant never agreed to refrain from manufacturing non-infringing devices," and that as there was no infringement there could be no breach of the Settlement Agreement by Sharon Steel (*infra* 47).

Count III, (R. 15 to 18, 157) charges Sharon Steel with various acts of unfair competition. Petitioner does not press the charges here, as the only reference to them in the Petition and Brief is in his three-line *Question* 8, (Petition p. 25). We will, therefore, content ourselves here with pointing out that that gist of the charges may be found in Findings 17 to 22, inclusive, (*infra* 39, 40) of the District Court. Both the District and Appellate Courts found on the merits that these charges were not sustained and also that the allegations recited no valid cause of action (*infra* 39, 40, 41, 47, 48).

Count IV has been abandoned by Petitioner (Petition p. 11). It charges (R. 157) a violation of Section 20 of the Clayton Act, which requires open bidding on railroad supplies having a value in excess of \$50,000 where the supplying company and the carrier have interlocking directors. The complaint alleged no interlocking directors between Sharon Steel and the Pennsylvania Railroad, which is specifically identified.

The District Court found (Finding 23, *infra* 40-1) that Petitioner's counsel admitted that he had not established such a relationship, and concluded as a matter of law that Count IV did "not recite a valid cause of action" (*infra* 41). The Appellate Court in like manner disposed of this Count (*infra* 48, 49).

The first charge under Count V (paragraph 18, R. 158) is also abandoned (Petition p. 11). Petitioner charges that

in the fall of 1936 Sharon Steel was in competition with the Supply Company and that in that year Sharon Steel "acquired all of the stock" of the Supply Company and dissolved that corporation and, therefore, competition between the two corporations was eliminated in violation of 15 U. S. C., Section 18.

The District Court found to the contrary (Findings 12 to 14, 25, *infra* 38, 39, 41) and the Appellate Court stated that the findings were fully supported by the evidence (*infra* 50).

The second charge under Count V (paragraph 19, R. 225) merely alleges that Sharon Steel "is attempting to monopolize and has gone a great way toward actually monopolizing the anti-splitting iron business of the United States, in violation of Section 2 of the Sherman Anti-Trust Law, 15 U. S. C., Section 2." A Bill of Particulars (R. 956) attempted to amplify this charge. As we shall show more fully later, the charge was disposed of by the courts below on the merits and also on the ground that the averments alleged no valid cause of action. (Findings 24 to 26, *infra* 41; Opinion, *infra* 50, 51.)

ARGUMENT.

"The Questions Presented" by Petitioner's counsel are very involved and argumentative and his "Reasons Relied On" and his Argument are incoherent, disorderly and overlapping. The fundamental question of infringement, which controls the disposition of the majority of the questions, is obscured by being treated last in petitioner's order.

We think it will be helpful to this Court if we take up the issues in consistent order as they were developed by the pleadings, presented to the Courts below and passed upon by the District Court in its Findings of Fact and Conclusions of Law and by the Appellate Court in its opinion.

At the outset of our Argument we emphasize the fact that Petitioner's counsel has throughout the Petition and supporting Brief virtually ignored the concurrent findings of the courts below, notwithstanding the well-established rule that this Court will not disturb concurrent findings unless they are wholly unsupported by the evidence or are clearly erroneous.

This Court well summed up this rule and cited the pertinent decisions of this Court in *General Pictures Co. v. Western Electric Co.*, 304 U. S. 175, at pages 178 and 179, as follows:

"There is nothing in the lower courts' decision on either of the added questions to warrant review here. Whether respondents acquiesced in the infringement and are estopped depends upon the facts. Granting of the writ would not be warranted merely to review the evidence or inferences drawn from it. Southern Power Co. v. N. C. Public Service Co., 263 U. S. 508. United States v. Johnston, 268 U. S. 220, 227. Moreover, the decision on that point rests on concurrent findings. They are not to be disturbed unless plainly without support. United States v. Chemical Foundation, 272 U. S. 1, 14.

United States v. McGowan, 290 U. S. 592. *Alabama Power Co. v. Ickes*, 302 U. S. 464. There is evidence to support them. Nor would the writ be granted to review the questions of anticipation and invention that petitioner argues, for as to them there is no conflict between decisions of circuit courts of appeals. *Layne & Bowler Corp. v. Western Well Works*, 261 U. S. 387, 393. *Keller v. Adams-Campbell Co.*, 264 U. S. 314, 319-320. Cf. *Stilz v. United States*, 269 U. S. 144, 147-148. The writ did not issue to bring up either of these questions. *Crowell v. Benson*, 285 U. S. 22, 65."

The latest expression of this Court to the same effect is found in *Goodyear Tire & Rubber Co. v. Ray-O-Vac Co.*, 64 S. Ct. 593, 594.

COUNT I.

Patent Infringement.

Re Question 6 (Pet. p. 24).

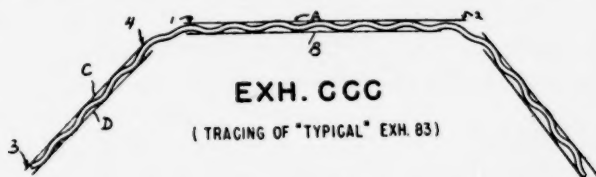
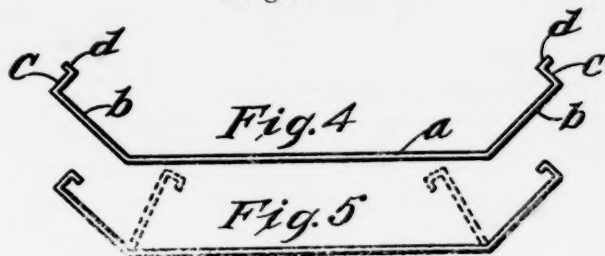
None of Petitioner's questions directly presents the naked issue of infringement. However, the argument is replete with statements pertaining directly to that issue. Indeed questions 2 to 7, inclusive, may be readily disposed of by this Court in the same manner that the issues were primarily disposed of by the Appellate Court, that is, solely on the naked issue of infringement.

The issue of infringement has been conclusively determined by the concurrent Findings of the District and Appellate Courts; and these for the most part, are not referred to or challenged by Petitioner.

In order that the Court may readily understand the application of some of the Findings to the disclosure of Petitioner's patent and to the accused device, and because the illustration of the accused device on page 18 of the Petition is *incorrect* and *fanciful*, we reproduce here Figs. 4 and 5 of

the Beegle patent, and Defendant's Exhibit CCC (R. 853). This Exhibit CCC admittedly illustrates correctly the Exhibit 83 iron which is charged to infringe (R. 512).*

Beegle Patent.



Accused Iron.

We refer this Court to Findings 5 to 9 inclusive, of the District Court (*infra* 37, 38), without quoting them here because their substance is well expressed by the Appellate Court in its opinion in part as follows (*infra* 45 to 47):

"In his application he said that his invention related to 'improvements in timber anchors,' and especially to anchors 'adapted to prevent checking and splitting of railway ties * * * with a view to preventing spike splitting, vertical checking and season checks usually existing in cross-ties and other timbers.' Obviously he did not limit his device to one adapted to be used on ties, but claimed it for anchorage or tying functions in any or all timber. Claim 1, typical, is as follows: 'A timber anchor having substantially the outline of an open-side polygon, one side of which constitutes a substan-

*The accused iron has curved crinkles and *not* the sharp bends shown in Petitioner's fanciful illustration.

tially straight body portion, an anchor face at each end thereof, constituting adjacent sides of the polygon, and each carrying a relatively short, inwardly directed terminal; said faces being shorter than said body portion and projecting therefrom at an obtuse angle, the body portion, faces and terminals of said anchor being adapted in use, to coact to define and clamp an unbroken unit of timber. *By his prescribed construction, he built on his iron, terminals 'substantially L-shaped,' teaching that thereby 'the holding power * * * is increased greatly out of proportion to the amount of metal added to form this additional terminal member.'* In each claim he included this essential element, describing it in Claim 2 thus: *'Each arm carrying an inwardly directed angular member, constituting the terminals of said anchor.'* Each of his illustrative figures shows this angular hook-like terminal."

. . .

"It is apparent, therefore, [from the Court's discussion of the Prior Art] that Beegle was no pioneer and, by broadly asserting an invention of an anchor device, he traveled beyond railroad tie irons into the field of similar tying devices for reinforcing joints or preventing rupture of other timber and charged himself with all he could perceive there. *His claims were allowed only after amendment to show the 'angular' terminal, or an 'angulate member at the end of each face', or 'an inwardly directed primary terminal at an extremity of said anchor.'* Evidently only because of the inclusion of this specified element, did the patent office impute invention to him. In view of the status of the art, Beegle's improvement was narrow in scope, indeed, and his claims must be limited to the precise thing he claimed. *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U. S. 126; *Barrel Fitting & Seal Corp. v. Am. Flange & Mfg. Co.*, 74 Fed. (2d) 569 (CCA7).

"Did defendants infringe? Beegle's teaching as disclosed by his description and specification of terminals formed in right angles or near right angles, provided an improved anchor, resisting the withdrawing force

of the timber, not found in other devices. His underlying thought was that the anchor arms and members, when formed in such angles, provided a tying, holding power necessary to overcome the tendency of timber to pull apart. *Defendants' device includes no tying members or terminals of right angle form. It is made entirely of crinkled sheet metal and the thought underlying its construction is that the crinkles, creases or waves of the metal will furnish efficient anchorage power to overcome the tendency of the timber to spread. The only angular members are the two arms which form angles with the main body. These lack the L-hooked terminals. It seems to us that the two conceptions are far apart in their proposed solutions of the problem. Beegle, if he achieved invention over the prior art, did so because of the exact form which he specified. Consequently, his claims must be limited to that specified construction. On the other hand, defendants more clearly adhere to the prior art and avoid the very elements which, it seems to us, led to Beegle's grant. We think the District Court correctly held that they have not infringed. We think that the patented device and the one accused are far from being identical or equivalent to each other, in structure, design, operation or principle. Rather they represent different approaches to and different methods of solution of the problem confronting the railroad tie-iron art."*

There are many inaccurate and misleading statements throughout the Petition and Brief with respect to the patent disclosure, the accused device, and the prior art but we see no occasion for discussing these statements specifically, in view of the following admission on page 52 of the Brief which reads as follows:

"It may be that the Circuit Court of Appeals is right in concluding that, as a technical patent question, an L-hook terminal must be read into every one of the petitioner's claims. . . ."

We may say parenthetically that the limitation was not

“read into” the claims but that both the District and Appellate Courts found that the claims specifically recited Beegle’s particular form of terminal which Petitioner now virtually admits is not in the accused iron.

Petitioner’s Question 6 (Pet. p. 24) assumes that the Lower Courts ignored the presumption of validity of the patent in suit and found the patent invalid. That is not true. Neither court held the patent invalid though the District Court found that if the claims were infringed then the claims are invalid for anticipation and lack of invention (Finding 10, *infra* 38); and the Appellate Court found that in view of the art Petitioner’s “claims must be limited to the precise thing he claimed,” citing *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U. S. 126.

It is perfectly manifest, we submit, that this is nothing but a simple patent case, never litigated before, in which the public is not generally interested, and in which there is no conflict with the decision of this or any other court on the issue. (*General Pictures v. Western Electric*, 304 U. S. 175, 178, 179, *supra*.)

We would point out here that the statements in Petitioner’s Question 6 which are supposed to fortify the presumption of validity not only have no bearing on the issue of infringement, but are inaccurate and, in some respects, untrue. For example, there was no great commercial success as shown by the fact that the old S and C irons have always outsold and still outsell the Beegle iron (R. 350-1). It is not true that all but two competitors made “requests for licenses”. A sales representative of Highland Steel merely “sounded” Beegle out as to whether he would grant a license (R. 320). National Forge “discussed” a license with Beegle (R. 319, 320). Laclede “didn’t directly” ask for a license. Western Wire Products simply asked if Beegle “would not consider giving” a license (R. 320). Thomas, of Sharon Steel, who was supposed to have men-

tioned the matter of a license to Beegle, had no recollection of any such conversation (R. 439).

The Relationship of Infringement to the Settlement Agreement.

Re Questions 4, 5 and 7 (Pet. pp. 24, 25).

Petitioner has apparently abandoned the claim for relief for alleged breach of the Settlement Agreement. He invokes Count II only to support the fallacious theory, embraced within Questions 4, 5 and 7, that the test of infringement is not the patent claims but the contract. This fallacious theory is necessarily based on the assumptions that there was a *de facto* merger between Sharon Steel and the Supply Company (Question 2) or that those two companies were joint adventurers (Question 3). We will discuss these Questions 2 and 3 later and show, that they are without foundation.

The Court will note that on page 23 of the Petition Questions 2 to 6, inclusive, are submitted only, "with respect to Count I." Question 7 by its wording is also directed to Count I.

Questions 4, 5 and 7 are purely academic because there is *no* infringement and Sharon Steel could *not* have breached the covenant of the agreement not to further infringe undertaken by the Supply Company.

The finding of the Appellate Court and its discussion of authorities is so conclusive in itself on this point that we quote as follows from its opinion (*infra* 47):

"As to Count 2, admitting for the purpose of this disposition, that defendant Steel Company is bound by the contract, agreeing 'to observe and respect' the pat-

ent and not infringe it, defendant still has a right to show that it has not broken that contract, by demonstrating that nothing it has done constitutes infringement and that what it has produced is not that, or the equivalent of that which it has recognized as valid. We think the correct principles here are those controlling where a patentee has licensed another to make the patented device, concerning which, in *Sinko Tool & Mfg. Co. v. Casco Products Corporation*, 89 Fed. (2d) 916, 917, we said that 'the license raises no estoppel against the licensee in respect to the noninclusive type of his product. * * * It does not estop him in any way from making devices which are not within the class licensed, for as to such products the licensee takes nothing by the license, no immunity from suit and assumes no obligation respecting same.' *International Burr Corp. v. Wood Grinding Service*, 34 Fed. (2d) 905. *Inasmuch as defendant's device did not infringe, there is no breach of contract. Defendant never agreed to refrain from manufacturing noninfringing devices.'*

The spurious theory which Petitioner's counsel attempts to develop (Brief 46 to 54) is, assuming that Sharon Steel is bound by the Settlement Agreement, then the test of infringement, is the "thought" of the original parties to that agreement rather than the patent claims, with respect to a *later* accused iron *entirely* different from the iron involved in the agreement.

Petitioner's position is summed up in the following sentences of his Brief:

"The parties agreed that the Sharon Railway Supply Company (respondent)* was not to make a tie iron which constituted what the parties *thought* at the time of making the agreement to be an infringement,—not what a judge at some future date might decide was an infringement." (p. 50)

*The Sharon Railway Supply Company is *not* a respondent in this case.

“It’s right so to do [Sharon Steel’s right to contest the issue of infringement] should not depend upon 1943 concepts of infringement, but upon the criterion of infringement laid down by the parties to the Settlement Agreement.” (p. 54)

Petitioner’s proposition is so utterly unsound and so obviously repugnant to common sense and logic that it hardly deserves to be dignified by any discussion. He asks this Court to decide what the Supply Company “thought” back in 1935. It is well established that the question of infringement depends upon the *claims* rather than on what someone “thought”. (Cases cited by Appellate Court and *McClain v. Ortmyer*, 141 U. S. 419, 424-5.)

The very absurdity of Petitioner’s proposition is demonstrated by the italicized statement at the top of page 54 of the Brief that under the contract any “iron of open polygon shape,” regardless of whether it had terminals or not would be an infringement in view of the Settlement Agreement, notwithstanding that the Beegle claims in suit recite terminals and notwithstanding that the District and Appellate Courts found that the accused iron and the patented iron “are far from being identical or equivalent to each other in structure, design, operation or principle.” (*Infra* 37, 46, 47.)

If Petitioner’s proposition is sound, then the Settlement Agreement is invalid, or at least unenforceable, as seeking to control something outside of the patent monopoly. The claims are a measure of the patent monopoly and an agreement not to make anything outside of that monopoly is clearly a violation of the law and against public policy.

In *Pope v. Gormully*, 144 U. S. 224, the parties entered into a license agreement under which the licensee was licensed to continue to operate under a certain patent and the agreement carried provisions under which the licensee

agreed to acknowledge the validity of and not infringe certain other patents under which it was not operating. The Court held the provisions illegal and against public policy.

Under Petitioner's instant proposition he would go still further and have Sharon Steel bound not to manufacture and sell something which is not covered by any patent owned by Petitioner.

Petitioner's counsel relies upon *Nachman Spring-Filled Corp. v. Kay Mfg. Co.*, 139 F. (2d) 781. In that case the Court of Appeals for the Second Circuit remanded the case to the trial court in view of the *Pope* case and *Sola Electric Co. v. Jefferson Co.*, 317 U. S. 173. Furthermore the court said that the defendant was contending for "an absurdly literal interpretation of words [of the claims] which, in ordinary usage, have a broad meaning," and that the defendant had made colorable evasions which "any mechanic skilled in the art would recognize at a glance to be obvious substitutes for those disclosed in the claims". Obviously, there the claims themselves were infringed and the *claims* were the measure of infringement as found by the Court. Here Petitioner urges that the claims are not the measure of infringement but that what the Supply Company "thought" in 1935 is the measure, notwithstanding that the Supply Company's settlement irons were just as different in structure, design, operation and principle from Sharon Steel's accused irons as are Sharon Steel's accused irons from the Petitioner's patented iron.

Throughout the Petition and Brief Petitioner's counsel entirely ignores the fact that the C. & N. W. Ry. is charged with infringement of the patent and that his complaint does not and could not charge that that Company is bound by the Settlement Agreement. *Petitioner virtually admits (Pet. p. 52) that technically the lower courts were correct in finding that there is no infringement and thus he prac-*

tically concedes before this Court that he had no case against the C. & N. W. Ry. Then he resorts to his fallacious theory that while the C. & N. W. Ry. does not infringe the patent claims, yet Sharon Steel is guilty of infringement because Petitioner and the Supply Company "thought" something back in 1935. The very inconsistency demonstrates the fallacy of Petitioner's "thought" test of infringement.

Obviously, Petitioner's proposition is wholly untenable, there is no authority for the same, there are authorities exactly to the contrary, and the question is of no public interest in any event.

COUNT II.

Re Questions 2 and 3 (Pet. pp. 23, 24).

Petitioner's Question 2 asks if Sharon Steel is a surviving corporation under an asserted theory of de facto merger with the Supply Company; and Question 3 asks whether Sharon Steel was a joint-adventurer with the Supply Company in view of listed presumed facts.

These questions, like Questions 4, 5 and 7, are also purely academic here because the accused iron clearly does not infringe the claims of the patent in suit, as found by the District and Appellate Courts, and virtually conceded by Petitioner's counsel, as we have shown. It is entirely immaterial whether Sharon Steel is bound by the Settlement Agreement.

We would point out however that the District Court found (*infra* 39):

"14. Sharon Steel purchased only the assets of the Supply Company and did not purchase any of the liabilities of that company. Sharon Steel did not acquire any of the stock or other securities of the Supply Com-

pany. *There was no merger of the two companies de facto or otherwise.* The Supply Company was dissolved by action of its stockholders immediately after the sale of the assets. At no time was Sharon Steel an agent of the Supply Company. There was no plan, well concocted or otherwise, by Sharon Steel to use the Supply Company as its agent or tool to infringe Bee-gle's patent."

The Appellate Court (*infra* 48) said as to the issues involved in Count II that:

"an examination of the evidence is convincing that it amply sustains the finding."

Not only are these findings ignored in the Petition and Brief, but Petitioner's counsel actually misstates what was found. For example, on page 39 of the Brief, he says:

"The findings and the record are indisputable that respondent Sharon Steel got *** all of the goodwill of the Sharon Railway Supply Company".

This is *not* true and the record shows it is *not* true. The very Stipulation entered into by counsel on page 143 of the record "indisputably" shows that the goodwill was not purchased, because the value of the goodwill and the cash on hand were deducted from the total assets, leaving a balance of \$10,077.45 "which is the purchase price" paid by Sharon Steel as "shown in Sharon's Exhibit 'B'".

Petitioner's counsel also states on page 41 of his Brief that "respondent Sharon Steel assumed all *known* liabilities—See Mrs. Shaughnessy's testimony, R. 50, lines 19 and 20 . . ." (Emphasis his.) This is *not* true and his Record citation does not support the statement. The Appellate Court, as did the District Court, flatly found that Sharon Steel had "assumed none of its [Supply Company's] liabilities", and the evidence fully supports this (Jones, R. 134; Evans, R. 460; Galbreath, R. 468).

None of the cases relied upon by Petitioner in his Brief on Question 2 are in any way in point. In *Commonwealth v. Merchants National*, 323 Pa. 145, "*certificates of capital stock were issued in the proportions agreed upon*" (p. 151). Likewise, in *Helvering v. Metropolitan Edison Co.*, 306 U. S. 522, the defendant "*assumed the liability of its former subsidiaries*" (p. 524) "*without a valuable consideration*" (p. 529). In *Metropolitan Edison v. Comm. of I. R.*, 98 F. (2d) 807, the petitioner "*became liable for the debts of the absorbed subsidiaries both under the contract and by operation of law.*" None of these situations is present here.

A Pennsylvania case which is exactly in point is *Daily's Estate*, 323 Pa. 42, 186 Atl. 801, wherein the Supreme Court of Pennsylvania said (p. 46):

"Of course, a merger is not a sale or a liquidation of corporate property but a consolidation of property power and facilities."

Nolan v. Doyle, 338 Pa. 398, 13 Atl. (2d) 59, cited by Petitioner's counsel on Question 3 is not at all in point, as there one of the parties took a contract in his own name and supplied money to the other party for carrying out the venture.

As no applicable local decisions have been cited; *Erie Railroad Co. v. Tompkins*, 304 U. S. 64, is not pertinent to the facts found here; and there are no conflicting decisions of this court, any Federal Court, or any Pennsylvania Court, to justify certiorari on these academic Questions 2 and 3.

We think the findings of the Courts below show that there is no basis for the assertion that there was any merger de facto or otherwise, or that Sharon Steel was a joint-adventurer.

turer with the Supply Company, so we will not review the evidence.

However, in order that this court may not be misled by Petitioner, we feel constrained to point out further that the alleged acts of Sharon Steel as listed in Petitioner's Question 3 (Petition pp. 23-4) are wholly unfounded in the record.

There is nothing in the Record showing that Sharon Steel got the Supply Company's order in 1935 from the Pennsylvania Railroad. The evidence of six witnesses is to the contrary (R. 233-4, 255-6, 418, 420-1, 461, 469, 480).

It is not true that Sharon Steel and the Supply Company jointly submitted a crinkled "C" iron to the Pennsylvania Railroad in 1935. Sharon Steel merely supplied the crinkled steel to the Supply Company which made the irons and sold them to the Railroad (R. 152).

It is not true that Sharon Steel financed the insolvent Supply Company. Nothing but a relationship of creditor and debtor existed and Sharon Steel merely sold steel to its old customer, the Supply Company, as it did to any other customer and extended credit for the steel (R. 68, 147, 458).

And if the Supply Company did furnish Sharon Steel with tonnage lists, it could not establish the relationship of joint-adventure.

Finally, it is not true that Sharon Steel profited from the sale of tie irons by the Supply Company as implied by Petitioner's counsel. Sharon Steel merely sold the raw steel to the Supply Company, which fabricated and sold the irons on its own account. It would be perfectly absurd to say that when a steel company sells steel to its various customers it becomes a joint-adventurer with those customers.

COUNT III.

The allegations under Count III of the complaint have to do with matters of alleged unfair competition and trade.

Petitioner's Question 8 (Pet. p. 25) merely asks if these allegations "state causes of action". No further references to the allegations were made in the Petitioner's Brief other than in the conclusion to the Brief where the Petitioner states that if the Petition is granted "Petitioner would like to argue Question 8 through 11". Manifestly, this is no proper way of having this Court consider these questions on certiorari. There are specific findings as to all issues of Count III and Petitioner in no way attempts to show any error or conflict with respect to the disposition of these questions.

Section 2 of Rule 38 of this Court specifically provides that the "Petitioner shall state the reasons". Petitioner has failed to state any reason with respect to any of these questions. The reason is manifest, as the charges are as unsound and frivolous as the other charges, as will be apparent to this court by referring to the lower Court's findings, 17 to 22, inclusive (*infra* 39, 40) and the opinion of the Appellate Court (*infra* 47, 48).

COUNT IV.

Count IV charges violation of Section 20 of the Clayton Act which requires open bidding on railroad supplies where the equipment company and the carrier have interlocking directors. The charge was disproved as held by both the District and Appellate Courts (*infra* 40, 41, 48, 49) and this charge has been abandoned (Pet. p. 11).

COUNT V.

Re Question 1 (Pet. p. 22).

Count V charges Sharon Steel with two additional violations of the Anti-Trust Laws.

Paragraph 18 of Count V charges Sharon Steel with violation of Section 18 of the Clayton Act on the alleged ground that it acquired all of the capital stock of the Supply Company thus eliminating competition between the two companies. This charge, also disproved below, has likewise been abandoned by Petitioner. (Pet. pp. 11 and 34).

The only remaining charge appears in paragraphs 19 and 20 of Count V that Sharon Steel has violated Section 2 of the Sherman Act on the alleged ground that Sharon Steel "is attempting to monopolize and has gone a great way toward actually monopolizing the anti-splitting iron business of the United States." (R. 225.)

This bare averment is pretended to be amplified in a Bill of Particulars (R. 956) where it is alleged that Sharon Steel's tie iron business had increased to between 65 and 70% of the total output of the industry, and that the increase is "attributed primarily to the *discreet* use of tonnage" by Sharon Steel. Further allegations are that "it is *believed*" that Sharon Steel's Traffic Manager had written letters to railroads in Chicago calling attention to the routing of pipe and coupling equipment by an alleged subsidiary of Sharon and that a salesman of Sharon Steel shortly thereafter "called on the railroads receiving the letters".

The sole question which Petitioner expounds as to this charge of Count V is as follows:

"Question 1: Are paragraphs 17, 19 and 20 of the Complaint so indefinite that they do not state a cause

of action, and if they are, should respondent be able to take advantage of this indefiniteness by a motion for Summary Judgment?"

The charge in Count V as recited in paragraphs 17, 19 and 20 was completely and soundly determined by the District and Appellate Courts to be without foundation. Adequate and competent evidence to support the findings of the Courts below was adduced. Petitioner does not challenge or even mention these findings and his attempt to misrepresent the true basis for the disposition of the charge by a Statement that it was dismissed as too "indefinite" is illustrative of his disregard of the findings throughout the Petition and Brief.

The District Court found upon the evidence in the case, as follows (*infra* 40, 41):

"22. Sharon Steel has *not used freight tonnage* shipped over railroads as a *means* of selling anti-splitting irons. Its sales of irons are based upon the *merits* of the irons and upon *tests* and *recommendations* of the *railroad engineers*.

"23. Sharon Steel did not use its alleged large tonnage of freight as a club or otherwise to coerce purchases of anti-splitting irons from itself * * * The Court finds again that the Pennsylvania Railroad as well as other railroads purchased Sharon Steel irons on the basis of tests and recommendations of their engineering departments."

"26. Sharon Steel has not attempted to monopolize and has not gone a great way toward actually or otherwise monopolizing the anti-splitting iron business of the United States. Beegle himself admitted at the trial, and his counsel at one of the pretrial conference asserted that Sharon Steel had at least five tie iron competitors."

The District Court in its opinion stated (*infra* 34)

“Although I would not have entertained such a motion on the pleadings alone, the state of the record at the present time seems to warrant this motion. The plaintiff has taken numerous depositions pertaining to this part of the case. Certain evidence offered by the plaintiff at the trial of Part I also sheds light upon the situation confronting the Court in this motion with reference to Part II. Considering this evidence and the facts presented by the depositions on file, it is apparent that the plaintiff has no possibility of establishing the case he pleads in counts 3, 4 and 5 of his amended complaint.”

The Trial Court also found (*infra* 36)

“4. Numerous pleadings were filed including Interrogatories and Answers thereto and Beegle took a number of depositions in various parts of the country with respect to all of the five counts”.

The attempt of Petitioner's counsel to lead this Court to believe that the District Court disposed of Count V without any evidence on it and with the sole remark, “The plaintiff has no possibility of establishing the case he pleads in Counts 3, 4 and 5” (Pet. pp. 20, 26, 33), is *not* commendable, to say the least.

The Court's finding *inter alia* on the evidence pertaining to this issue, that Sharon had not misused its tonnage, left no issue of fact to be tried so that Sharon Steel was entitled to Summary Judgment within Rule 56(c) R.C.P., which reads in part as follows:

“there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law”.

Petitioner's two authorities (Brief p. 33) do not support his position but *Toebelman v. Missouri-Kansas Pipe Line*

Co., 130 F. 2d 1016 (C. C. A. 3rd) fully supports our position as the Court said on page 1018:

“It is now well settled that summary judgment *may be entered* for either party if the *pleadings, depositions, admissions* on file and *affidavits* show that there is *no genuine issue* as to any *material fact* and that the moving party is entitled to a judgment as a matter of law.”

In *Whitaker v. Coleman*, 115 F. 2d 305, C. C. A. 5th, the Court merely held that the defendant was entitled to his right to a jury trial when (p. 306) “he seasonably made his demand for a jury” which is not the situation here.

The findings of the District Court were not in any way disturbed by the Appellate Court and not being disputed nor challenged by Petitioner should not and will not, we submit, be disturbed by this Court. We submit that it is clear that this Court is fully justified in denying the Petition with respect to this charge without consideration of any further reasons.

We further point out that the Appellate Court did not dismiss this charge on the ground that the averment was “indefinite” as asserted by Petitioner’s counsel in Question 1. The word “indefinite” does not appear in the Appellate Court’s opinion. The Appellate Court only pointed out that Count V failed to state a cause of action because absent from it were “essential averments”, also “singularly lacking” in the Bill of Particulars, the Court saying that it failed to state

“The manner, nature, character, and extent of the injury sustained and the facts from which injury accrues and upon which damages may be assessed as well as those with regard to the effect of the alleged violation upon plaintiff’s business. . . .” (*Infra* 50).

and concluding that:

“Inasmuch as the count embraced no such essential averments the court properly entered judgment dismissing it.

Nor does the bill of particulars remedy this lack of averment, for it too, is singularly lacking in recital of any facts sufficient to sustain an averment of injury to plaintiff’s business.” (*Infra* 51).

We respectfully submit that this reason given by the Appellate Court is merely an additional reason in affirmance of the granting of the motion for Summary Judgment on the other grounds assigned. This additional reason for its allowance also warrants the dismissal as to Count V.

Assuming that Sharon Steel did call attention to a railroad that it was shipping tonnage over its line and that a salesman shortly thereafter called upon the railroad, is this unlawful? Reciprocal business dealings have never been declared by this court, or any other court, to be unlawful, so far as we know. The Appellate Court in its Opinion stated that no unlawful act was recited in the complaint in respect to this matter of tonnage and the last page of the Court’s opinion (*infra* 51) fully supports the proposition that the allegation of an unlawful act is necessary according to the cases there cited.

These decisions had to do with the just stated proposition rather than with Petitioner’s garbled proposition that the Court found the allegations “indefinite” as contended in pages 34 and 35 of his Brief.

The only case dealing with tonnage and cited by Petitioner is *Federal Trade Commission v. Waugh Equipment*, 15 Fed. Trade Com. Decisions, 232, 245, but Petitioner’s counsel fails to point out that it arose under the “Act

to create a Federal Trade Commission" and that there were in that case positive promises or assurances of increased traffic and threats of withdrawal of traffic. There are no such averments alleged in the instant complaint.

Obviously, under the circumstances of this case, it is not believed that this Court will grant certiorari only for the purpose of remanding the case and directing the District Court to permit the petitioner to amend his pleadings. No amount of amendment could cure the fatal defects. The issue has been decided as a matter of fact on ample evidence and there is no further material issue of fact to be tried. It would be inequitable at this late date to enable the petitioner to amend and thus subject Sharon Steel to more groundless litigation. This, we submit is what the Appellate Court held when it said (*infra* 50):

"The evidence before the court, *produced by the plaintiff itself*, could reasonably lead to no other finding and the court properly, therefore, rather than enter into a long extended trial where plaintiff would be unable to prove one of its essential averments, entered summary judgment. *Abouaf v. Spreckels*, 26 Fed. Supp. 830."

We respectfully submit that the Petitioner has not brought himself within the Rules of this Court, entitling him to a Writ of Certiorari on Question 1. There is no conflict of authorities involved. The question is not of any public concern. No novel question of law is raised. The issue has already been fairly determined.

CONCLUSION.

We submit that there are no "special and important reasons" for granting the present petition, certainly none of the character of those specified in Rule 38 of this Court,

nor can we see that there is any other reason advanced that gives petitioner any standing here. We submit that the petition is wholly without merit and should be denied.

Respectfully submitted,

.....
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Received ... copies of the foregoing brief this
day of, 1944.

MAX W. ZABEL,

Counsel for Petitioner.



APPENDIX.

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| <i>Memorandum of District Judge Campbell, 56 U. S. P. Q.</i> | |
| 416 | 32 |
| <i>Findings of Fact by District Judge Campbell.....</i> | 35 |
| <i>Conclusions of Law by District Judge Campbell.....</i> | 41 |
| <i>Opinion of the Court of Appeals for the Seventh Circuit, 138 F. (2d) 875.....</i> | 43 |

Filed
Jan. 28,
1943.

492 And afterwards on the 28th day of January, 1943, being one of the days of the regular January term of said court, in the record of proceedings thereof, in said entitled cause, before the Honorable William J. Campbell District Judge, appears the following entry:

IN THE DISTRICT COURT OF THE UNITED STATES.

* * (Caption—2584) * *

MEMORANDUM.

Campbell, District Judge.

In this case the plaintiff originally charged the defendants with infringement of his Patent No. 1,737,908 covering a timber anchor or iron used to prevent splitting and checking of wooden railroad ties. The defendant, Sharon Steel Corporation, is the manufacturer of an alleged infringing device and the defendant, Thomson, a user of the said device. The defendant, Sharon Steel Corporation, has assumed the defense of this cause for the defendant Thomson.

Subsequent to the filing of the original complaint, the plaintiff amended his complaint by adding counts 2, 3, 4 and 5. Count 2 charges the defendant, Sharon Steel Corporation, with breach of a contract between the plaintiff and Sharon Railway Supply Company, Inc. Count 3 charges the defendant Sharon Steel Corporation with unfair competition. Counts 4 and 5 charge the defendant Sharon Steel Corporation with violation of the Anti-trust Laws.

At the pre-trial conference held in this cause, it was, by agreement of the parties upon suggestion of the Court, stipulated that this cause would be separated into two parts. Part I to consist of counts 1 and 2, and Part II to consist of counts 3, 4 and 5. A trial of Part I was duly had and evidence and exhibits submitted and briefs and arguments filed. In Part II the defendant has since filed a motion for summary judgment upon the pleadings and record now before the Court.

With reference to Part I, I have carefully reviewed my notes of the evidence taken at the trial, the voluminous depositions, the numerous exhibits, the briefs and arguments of the parties, and the cases therein cited.

From such review I am of the opinion that the defendant's accused "special irons" do not infringe the plaintiff's patent as alleged in count 1 of the amended bill of complaint. Plaintiff's patent clearly teaches a construction of tie iron having as its principal feature inwardly directed terminals constructed to readily interlock with like terminals on similar irons. In fact, this terminal development and facility of reshaping are the principal improvements of Mr. Beegle over the older type of tie irons that he used when he was engaged as a driver of tie irons in the yards of the T. J. Moss Tie Company. This teaching is not followed in the defendant's accused irons. Although it is immaterial, I cannot refrain from the observation that neither is this teaching followed by the plaintiff in the iron he is currently manufacturing and selling for commercial use. It is my opinion that although there is some similarity in the general shape of the defendant's accused iron and the plaintiff's commercial iron, neither of these irons follow the disclosures of the plaintiff's patent in suit. Thus, just as the plaintiff's iron upon which he received a patent in 1929 was an improvement over the older irons that he formerly used, his present commercial iron is undoubtedly an improvement over the iron described in his patent and likewise (depending upon the point of view of the user) so is the defendant's accused iron.

I therefore conclude that the defendant's accused irons do not infringe plaintiff's patent No. 1,737,908 in any respect, and accordingly the issues under count 1 are found for the defendants.

In count 2 of the complaint, the plaintiff alleges that a certain settlement agreement entered into between him and Sharon Railway Supply Company, Inc., on July 6, 1935, effecting a settlement of an asserted infringement of plaintiff's patent, and an acknowledgment of the validity thereof by Sharon Railway Supply Company, Inc., is binding upon the defendant Sharon Steel Corporation, and that Sharon Steel Corporation is guilty of a breach of that contract. I have carefully reviewed the many depositions taken by the plaintiff in support of this contention as well as the documentary evidence submitted by the plaintiff, and have fully considered the inferences drawn therefrom by plaintiff's counsel in his skillfully reasoned brief, but I am unable to agree with his conclusions. Although it is

highly probable, as plaintiff's counsel argues, that the defendant Sharon Steel Corporation assisted Sharon Railway Supply Company, Inc., in getting the much discussed order of 1935 for tie irons from the Pennsylvania Railroad, it does not follow, as plaintiff contends, that the defendant Sharon Steel Corporation had knowledge of the alleged infringement subsequently admitted by Sharon Railway Supply Company, Inc., or of the agreement wherein it admitted the same. At the time of the solicitation of the business of the Pennsylvania Railroad Company in 1935 the defendant Sharon Steel Corporation was the main creditor of Sharon Railway Supply Company, Inc., for steel furnished by the defendant. It would be but natural that the defendant Sharon Steel Corporation would assist its debtor in securing any business that it possibly could in order to hasten the debtor's payment of its account to the defendant. This does not reasonably justify plaintiff's implication of a well concocted plan by the defendant Sharon Steel Company to use Sharon Railway Supply Company, Inc., as its agent or tool to infringe the plaintiff's patent. Other inferences similarly drawn by plaintiff's counsel in support of the allegations of count 2 are likewise without foundation in my opinion.

Accordingly, I find the issues, under count 2 of the complaint, for the defendant.

With reference to Part II, I have carefully read the briefs in support of and in opposition to the defendant's motion for summary judgment on counts 3, 4 and 5, as well as the authorities therein cited.

494 Although I would not have entertained such a motion on the pleadings alone, the state of the record at the present time seems to warrant this motion. The plaintiff has taken numerous depositions pertaining to this part of the case. Certain evidence offered by the plaintiff at the trial of Part I also sheds light upon the situation confronting the Court in this motion with reference to Part II. Considering this evidence and the facts presented by the depositions on file, it is apparent that the plaintiff has no possibility of establishing the case he pleads in counts 3, 4 and 5 of his amended complaint.

Accordingly the defendant's motion with reference to these counts will be granted and said counts will be dismissed.

Counsel for the defendants may prepare and file with the Court, in writing, within twenty days from the date

hereof, proposed findings of fact, conclusions of law, and a draft of a proposed decree, consistent with the views herein expressed, delivering copies thereof to counsel for the plaintiff. Within ten days of the receipt of such copies counsel for the plaintiff may prepare and file with the Court, in writing, his observations with reference thereto and suggestions for the modification thereof, delivering a copy of such observations and suggestions to counsel for the defendants. Within five days thereafter counsel for the defendants may present to the Court, in writing, his reply to such observations and suggestions. Whereupon, the matter of making findings of fact, conclusions of law and a decree herein will be taken by the Court without further argument.

Campbell,
Judge.

January 28, 1943.

495 And afterwards on the 10th day of March, 1943, being one of the days of the regular March term of said court, in the record proceedings thereof, in said entitled cause, before the Honorable William J. Campbell, District Judge, appears the following entry:

Filed
Mar. 10,
1943.

IN THE DISTRICT COURT OF THE UNITED STATES.

* * (Caption—2584) * *

FINDINGS OF FACT AND CONCLUSIONS OF LAW.

Pursuant to the provisions of Rule 52 of the Federal Rules of Civil Procedure, the Court makes the following Findings of Fact and Conclusions of Law as part of the record herein.

Findings of Fact.

1. Plaintiff, Raymond E. Beegle, called "Beegle", of East St. Louis, Illinois, is the owner of the Beegle Patent No. 1,737,908 granted December 3, 1929 for Timber Anchor; defendant, Charles M. Thomson, as Trustee for Chicago & North Western Railway Company, called "Thomson", has a regular and established place of business at Chicago, Illinois; and defendant Sharon Steel Corporation, called "Sharon Steel", is a Pennsylvania

corporation, located and having its office and principal place of business at Sharon, Pennsylvania. Defendant

Sharon Steel appeared generally.

496 2. Beegle in his Complaint as originally filed and as first amended charged Thomson, as the used of "Sharon Special" irons, and Sharon Steel, as the manufacturer and seller of said irons, with infringement of the Beegle patent, by such use, manufacture and sale, and Beegle later declared only on claims 1, 2, 3 and 4 thereof, and Sharon Steel at the trial openly and avowedly assumed the defense of the patent infringement charge against Thomson.

2a. Beegle also declared upon claim 7 of the patent in suit but withdrew this claim at the trial.

3. Beegle amended his Complaint several times to include (in addition to Count I charging patent infringement) Counts II, III, IV and V charging Sharon Steel, but not Thomson, in such various counts with—

(Count II) Breach of a Settlement Agreement between Beegle and Sharon Railway Supply Company, called "Supply Company", dated July 6, 1935 effecting a settlement of an asserted infringement of Beegle's patent by the Supply Company.

(Count III) Unfair competition on several alleged grounds.

(Count IV) Coercing the Pennsylvania Railroad into purchasing Sharon's irons without open bidding, in violation of the second paragraph of 15 U. S. C. Section 20.

(Count V) Unlawful monopolization of the tie iron business in violation of the Anti-Trust Laws.

497 4. Numerous pleadings were filed, including Interrogatories and Answers thereto, and Beegle took a number of depositions in various parts of the country with respect to all of the five counts. Whereupon a pre-trial conference was held December 5, 1941, and by agreement of parties, upon suggestion and order of the Court, it was stipulated that this cause should be separated into two parts, Part 1 to consist of Counts I and II, and Part 2 to consist of Counts III, IV and V. Part 1 was tried on December 8, 9, 10 and 11, 1941. A second pre-trial conference with respect to Part 2 was held on December 29, 1941 and Sharon Steel under Rules 12(c), 56(b) and 56(c) of the Rules of Civil Procedure thereupon filed a Motion for Summary Judgment, upon the pleadings (including Interrogatories and Answers thereto), depositions,

testimony at the trial of Part 1, and admissions on file. Exhaustive briefs were filed by the parties on the counts tried and on the Motion for Summary Judgment. The Court entered a Memorandum Opinion on January 28, 1943.

Part One.

Count I.

5. The Beegle patent in suit discloses a timber anchor formed of flat material, and having a straight body portion, side arms and inwardly directed, angulate or hook-like terminals, and claims 1, 2, 3 and 4 are directed to this structure. Such terminals are illustrated and described in the patent as "comprising a primary terminal member *c* and a secondary terminal member *d*", and as being "hook-like" or "L-shaped". The inwardly directed terminals are constructed to readily interlock with like terminals on similar irons.

498 (5a) Plaintiff's patent clearly teaches a construction of tie iron having as its principal feature inwardly directed terminals constructed to readily interlock with like terminals on similar irons. In fact, this terminal development and facility of re-shaping are the principal improvements of Mr. Beegle over the older type of tie irons that he used when he was engaged as a driver of tie irons in the yards of the T. J. Moss Tie Company.

(5b) This teaching (mentioned in Finding 5a) is not followed in the defendants' accused irons.

6. The improvement in the Beegle patent is limited to the straight body portion and the inwardly directed terminals, by the patent disclosure itself, by the state of the art, and by the admissions, representations and amendments made by Beegle during the Patent Office proceedings.

7. The accused "Sharon Special" iron is formed from a crinkled strip and has no straight body portion as disclosed by Beegle and no anchor terminals comparable to those disclosed by Beegle, the Sharon iron being uniformly crinkled throughout. In the Beegle iron the particular anchor terminals afford the holding power, whereas in the accused "Sharon Special" iron the holding power is distributed substantially uniformly throughout by the crinkles formed throughout the iron. The two irons are different in structure and different in principle and operation.

499 8. During the prosecution of the Beegle patent, the claims in suit were so repeatedly amended and limited in view of the prior art as to estop Beegle from now asserting that they are of such broad scope as to embrace the accused "Sharon Special" iron.

9. The accused "Sharon Special" iron is fully justified by the prior art which discloses irons formed of crinkled metal, and of the same general shape and character as the accused iron. Such prior art includes the following patents which show operable structures: Sayre 180,070, Starr 366,269, Starr 396,900, Berry 412,696, Starr 419,375, Stambach 725,375, Williams 1,201,008, Williams 1,208,255, Fiebig 1,436,584.

10. In view of the above prior art, if the claims of the Beegle patent in suit are construed to be infringed by the accused "Sharon Special" iron then said claims are invalid for anticipation and lack of invention.

11. Sharon Steel pleaded laches by reason of certain alleged facts, but the Court makes no finding with respect to the same.

Count II.

12. The Settlement Agreement, Plaintiff's Exhibit 1, was entered into on July 6, 1935 between Beegle and the Supply Company, under which the Supply Company agreed not to infringe the patent in suit and acknowledged validity thereof. Sharon Steel acquired the assets of the Supply Company on November 16, 1936 (Bill of Sale, 500 Defendant's Exhibit B) and the officers of Sharon Steel had no knowledge of said Agreement prior to October, 1939. Sharon Steel in no way was a party to or participated in the negotiations for or the consummation of said Agreement. Sharon Steel has not made or sold any irons at any time like that which was the subject matter of the Settlement Agreement.

13. The officers of Sharon Steel had no knowledge of alleged infringement of the patent in suit by the Supply Company when that company solicited and obtained an order from the Pennsylvania Railroad Company in February, 1935, and the officers of Sharon Steel had no knowledge of said infringement at the time Sharon Steel purchased the assets of the Supply Company on November 16, 1936.

(13a) It is highly probable that Sharon Steel assisted

Supply Company in getting the order of 1935 for tie irons from the Pennsylvania Railroad, but Sharon Steel had no knowledge of the alleged infringement subsequently admitted by the Supply Company, or of the agreement wherein it admitted the same.

14. Sharon Steel purchased only the assets of the Supply Company and did not purchase any of the liabilities of that company. Sharon Steel did not acquire any of the stock or other securities of the Supply Company. There was no merger of the two companies *de facto* or otherwise. The Supply Company was dissolved by action of its stockholders immediately after the sale of the assets. At no time was Sharon Steel an agent of the Supply Company. There was no plan, well concocted or otherwise, by Sharon Steel to use the Supply Company as its agent or tool to infringe Beegle's patent.

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Part Two.

15. Sharon Steel in its Motion for Summary Judgment sought dismissal as to each of the counts of Part 2 on the ground of lack of jurisdiction, but the Court makes no finding as to that matter.

16. The pleadings, answers to interrogatories, depositions taken on behalf of Beegle, certain evidence offered at the trial of Counts I and II, and admissions of Beegle, show that Beegle has no possibility of establishing any one of the causes of action pleaded in Counts III, IV and V of the Amended Bill of Complaint, and there is no genuine issue as to any material fact.

Count III.

17. The use of the words "Sharon Special" did not create the impression, or induce purchasers of such irons to believe that Sharon Steel had developed what Beegle calls the "Beegle type of iron."

18. Sharon Steel never made, sold, offered for sale, or delivered any plain "Sharon Special" irons. Beegle himself admitted at the trial that he was familiar with the Sharon Steel irons and had never known of a plain "Sharon Special" iron.

19. Sharon Steel has not sold the so-called "Beegle type of iron" to any customers. It follows that Sharon Steel has not closely or otherwise adhered to any policy

of selling "Beegle type of irons" only to former customers of Beegle while selling to all other customers only "C" and "S" irons as alleged by Beegle. Sharon Steel has not represented to customers that the "C" and "S" 502 irons are preferable. Sharon Steel has not represented that it stands ready to deliver "Beegle type irons" under the name of "Sharon Special", plain or crinkled. Sharon Steel manufactures and sells the "C", "S" and "Sharon Special" irons in substantially equal quantities and sells its customers any of the three Sharon irons the customers want. The railroads buy the type of irons which are approved or recommended by their engineering or forestry departments after extensive tests. Sharon Steel has in no way impaired Beegle's ability to obtain new customers by reason of Sharon Steel's acts.

20. The marking of "Sharon Special" irons with notice of the Lloyd Patent No. 2,035,817 by Sharon Steel, is required by Sharon Steel's license from Mrs. Shaughnessy, Lloyd's widow, under said patent, is not improper, and has not induced customers to purchase the "Sharon Special" iron.

21. Sharon Steel did not interfere, maliciously or otherwise, with any contractual relations between Beegle and the Supply Company; and did not in any way circumvent the Settlement Agreement, Plaintiff's Exhibit 1, and Findings under Count II above also apply to the allegations of paragraph 14(e) of the Amended Complaint.

22. Sharon Steel has not used freight tonnage shipped over railroads as a means of selling anti-splitting irons. Its sales of irons are based upon the merits of the irons and upon tests and recommendations of the railroad engineers.

503

Count IV.

23. Sharon Steel did not use its alleged large tonnage of freight as a club or otherwise to coerce purchases of anti-splitting irons from itself, and has not compelled the Pennsylvania Railroad Company to purchase irons exclusively from Sharon Steel without open bidding on each order. Paragraph 16 of the Amended Complaint does not charge that there was any interlocking directorate between Sharon Steel and the Pennsylvania Railroad, and Beegle's counsel in "Plaintiff's Brief Resisting Defendant's Motion for Summary Judgment" specifically conceded "plaintiff's

counsel admits that to date he has not established such a relationship * * *". The Court find again that the Pennsylvania Railroad as well as other railroads purchased Sharon Steel irons on the basis of tests and recommendations of their engineering departments.

Count V.

24. Sharon Steel asserts that the charges of Count V are barred by the Statute of Limitations of the State of Illinois, but the Court makes no finding on this matter.

25. Sharon Steel was not in competition with the Supply Company prior to the Fall of 1936 or at any other time. Findings under Count II also apply to Count V.

26. Sharon Steel has not attempted to monopolize and has not gone a great way toward actually or otherwise monopolizing the anti-splitting iron business of the United States. Beegle himself admitted at the trial, and his
504 counsel at one of the pretrial conferences asserted that Sharon Steel had at least five tie iron competitors.

Conclusions of Law.

1. Neither of the defendants has infringed upon claims 1, 2, 3 and 4 of the Beegle patent in suit or any of them.

2. If the said claims are of such scope as to embrace the accused iron, said claims are invalid in view of the prior art.

3. Sharon Steel was not and is not bound in any manner by the Settlement Agreement between Beegle and the Supply Company.

4. Sharon Steel has not been guilty of unfair competition nor violation of the Anti-Trust laws, as charged in Counts II, IV and V or any of them.

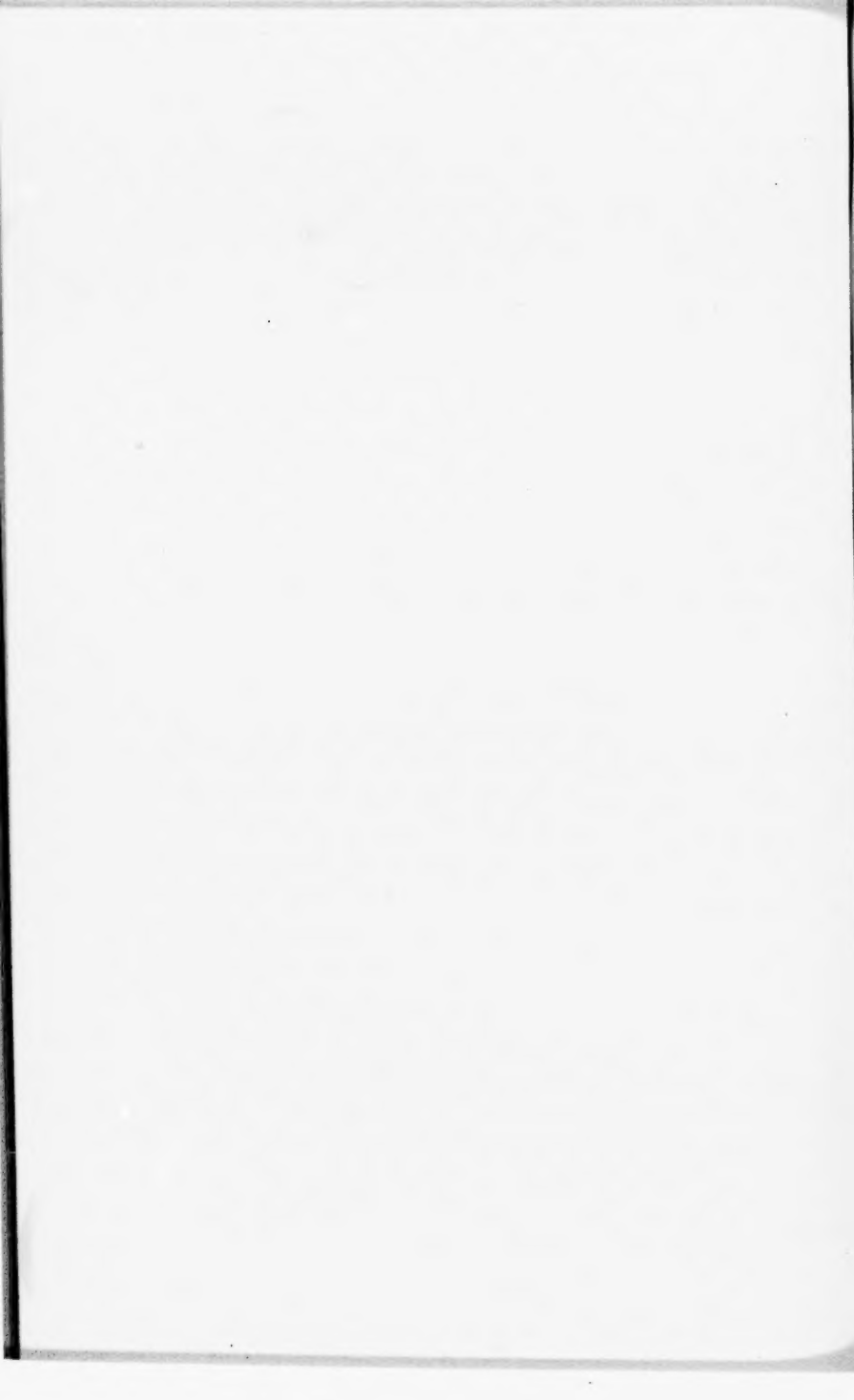
5. Counts II, III, IV, and V or any of them do not recite a valid cause of action against Sharon Steel.

6. A final judgment should be entered dismissing the Amended Complaint for want of equity with costs to defendants.

Enter:

Campbell,
District Judge.

March 10, 1943.



And afterwards, to-wit: On the sixth day of November, 1943, there was filed in the office of the Clerk of this Court, the Opinion of the Court which said Opinion is in the words and figures following, to-wit:

IN THE UNITED STATES CIRCUIT COURT OF APPEALS

For the Seventh Circuit.

No. 8334.

October Term, October Session, 1943.

RAYMOND E. BEEGLE, doing business as
BEEGLE TIE SERVICE COMPANY,

Plaintiff-Appellant,
vs.

CHARLES M. THOMSON, as trustee for
CHICAGO & NORTH WESTERN RAIL-
WAY COMPANY, and SHARON STEEL
CORPORATION,

Defendants-Appellees.

} Appeal from the District
Court of the United
States for the Northern
District of Illinois, East-
ern Division.

November 6, 1943.

Before MAJOR, KERNER, *Circuit Judges*, and LINDLEY,
District Judge.

LINDLEY, *District Judge*. Plaintiff questions the propriety of a judgment two-fold in character. Its complaint consisted of five counts, the first of which charged that Sharon Steel Company, as manufacturer and vendor, and Thomson, trustee for the Chicago & Northwestern Ry. Company, as user, had infringed Claims 1, 2, 3 and 4 of patent to Beegle, 1,737,908 covering a timber anchor iron, designed to prevent or retard splitting and checking of the timber in which it is placed. The other counts charged only the Steel Company; the second averring breach of an assumed contract not to infringe; the third, unfair competition; the fourth and fifth, injury to plaintiff arising from defendant's alleged violation of the Anti-Trust Act (15 U. S. C., Sections 2, 18 and 20).

A trial of the first two counts upon the merits resulted in the court finding, as to the first, non-infringement of the claims sued on and, if they be infringed, invalidity; and as to the second, failure of proof upon plaintiff's part. After a pre-trial conference as to the issues arising on Counts 3, 4 and 5, the court granted defendant's motion for summary judgment thereon and dismissed the complaint. Plaintiff now asserts that the court erred in each of the findings and in the entry of judgment.

From 1923 to 1928, Beegle was a workman engaged in driving tie irons into the ends of railroad ties, piled in stacks, awaiting seasoning and subsequent use in railroad tracks. Green ties tend, as they season, to dry near the perimeter first and in this process frequently check and split. Tie irons are driven into the ends to control or retard this action and are utilized also, after ties are in place in road beds, to prevent further rupture. The problem of counteracting these tendencies and preventing resulting deficiencies is concerned with phenomena occurring in heavy pieces of timber in the course of seasoning, stresses arising in their interior structures during that period, the various natural characteristics and tendencies of differently cut ties, (some being squared quarters or less portions of logs and some entire squared logs, depending upon the dimensions of the raw timber), and their action and performance under heavy train burdens and when subjected to the impact of large spikes driven into them to fix the rails. Railroad and equipment industries have, in the course of years, developed and utilized many varieties of irons, those finally employed being mostly in the shape of an S or a C and consisting of comparatively thin strips of steel with one edge beveled so as to be driven relatively easily into the ends of ties.

Beegle, working as a practical artisan, claims to have observed various deficiencies in the irons in prevailing use, namely, (1), an S or C iron does not prevent damage if a split passes across one of the curved parts of the iron, for that part tends to sever a portion of the tie,—the very thing it is intended to prevent; (2), curved ends of such an iron do not provide as efficient anchorage as irons of comparatively straight lines with triangular arms and right angled terminals, forming L-hooks, though the latter use less steel and, therefore, cost less; (3), S and C irons can not be reshaped by the workman, as is sometimes desirable in practice; and, (4), frequently they do not extend over

or span the lines down which a split may result from driving a spike in the rail.

Convinced of these deficiencies, as he says, he devised an iron of the preferred design mentioned in 2 above, and procured a patent thereon. In his application he said that his invention related to "improvements in timber anchors," and especially to anchors "adapted to prevent checking and splitting of railway ties * * * with a view to preventing spike splitting, vertical checking and season checks usually existing in cross-ties and other timbers." Obviously he did not limit his device to one adapted to be used on ties, but claimed it for anchorage or tying functions in any or all timber. Claim 1, typical, is as follows: "A timber anchor having substantially the outline of an open-side polygon, one side of which constitutes a substantially straight body portion, an anchor face at each end thereof, constituting adjacent sides of the polygon, and each carrying a relatively short, inwardly directed terminal; said faces being shorter than said body portion and projecting therefrom at an obtuse angle, the body portion, faces and terminals of said anchor being adapted in use, to coact to define and clamp an unbroken unit of timber. By his prescribed construction, he built on his iron, terminals "substantially L-shaped," teaching that thereby "the holding power * * * is increased greatly out of proportion to the amount of metal added to form this additional terminal member." In each claim he included this essential element, describing it in Claim 2 thus: "Each arm carrying an inwardly directed angular member, constituting the terminals of said anchor." Each of his illustrative figures shows this angular hook-like terminal.

Various patented timber anchor or tying devices appear in the prior art: Starr, 547,093, made one of crinkled sheet metal, the rounded angular curves serving to prevent two joining members from separating. Similar were the structures of Walker, 300,536 and Rasner, 515,168. Williams, 1,201,008 and 1,208,255 suggested irons with outwardly and inwardly extending projections, which tended to prevent joined materials from pulling apart. Fiebig, 1,436,584, described a straight line angular tying iron, lacking, however, the L-terminals of Beegle. Sayre, 180,070, taught the use of a similar, straight line, angular tying iron for wood, such as the corners of a picture frame, but he, too,

failed to add Beegle's L-terminal members. Other prior art workers made various pertinent suggestions.

It is apparent, therefore, that Beegle was no pioneer and, by broadly asserting an invention of an anchor device, he traveled beyond railroad tie irons into the field of similar tying devices for reinforcing joints or preventing rupture of other timber and charged himself with all he could perceive there. His claims were allowed only after amendment to show the "angular" terminal, or an "angulate member at the end of each face" or "an inwardly directed primary terminal at an extremity of said anchor." Evidently only because of the inclusion of this specified element, did the patent office impute invention to him. In view of the status of the art, Beegle's improvement was narrow in scope, indeed, and his claims must be limited to the precise thing he claimed. *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U. S. 126; *Barrel Fitting & Seal Corp. v. Am. Flange & Mfg. Co.*, 74 Fed. (2d) 569 (CCA7).

Did defendants infringe? Beegle's teaching, as disclosed by his description and specification of terminals formed in right angles or near right angles, provided an improved anchor, resisting the withdrawing force of the timber, not found in other devices. His underlying thought was that the anchor arms and members, when formed in such angles, provided a tying, holding power necessary to overcome the tendency of timber to pull apart. Defendants' device includes no tying members or terminals of right angle form. It is made entirely of crinkled sheet metal and the thought underlying its construction is that the crinkles, creases or waves of the metal will furnish efficient anchorage power to overcome the tendency of the timber to spread. The only angular members are the two arms which form angles with the main body. These lack the L-hooked terminals. It seems to us that the two conceptions are far apart in their proposed solutions of the problem. Beegle, if he achieved invention over the prior art, did so because of the exact form which he specified. Consequently, his claims must be limited to that specified construction. On the other hand, defendants more clearly adhere to the prior art and avoid the very elements which, it seems to us, led to Beegle's grant. We think the District Court correctly held that they have not infringed. We think that the patented device and the one accused are far from being identical or equivalent to each

other, in structure, design, operation or principle. Rather they represent different approaches to and different methods of solution of the problem confronting the railroad tie-iron art.

As to Count 2, admitting for the purpose of this disposition, that defendant Steel Company is bound by the contract, agreeing "to observe and respect" the patent and not infringe it, defendant still has a right to show that it has not broken that contract, by demonstrating that nothing it has done constitutes infringement and that what it has produced is not that, or the equivalent of that which it has recognized as valid. We think the correct principles here are those controlling where a patentee has licensed another to make the patented device, concerning which, in *Sinko Tool & Mfg. Co. v. Casco Products Corporation*, 89 Fed. (2d) 916, 917, we said that "the license raises no estoppel against the licensee in respect to the noninclusive type of his product. * * * It does not estop him in any way from making devices which are not within the class licensed, for as to such products the licensee takes nothing by the license, no immunity from suit and assumes no obligation respecting same." *International Burr Corp. v. Wood Grinding Service*, 34 Fed. (2d) 905. Inasmuch as defendant's device did not infringe, there is no breach of contract. Defendant never agreed to refrain from manufacturing noninfringing devices.

Count 3 in Paragraphs 14 (a), (b) (c) and (d), charges defendant with unfair competition. An essential premise for the liability sought to be enforced in this count is plaintiff's averment that defendant has offered for sale and sold a type of iron of the same general outline as plaintiff's and "an unquestionable infringement of plaintiff's patent" and, in doing so, has, in various manners, been guilty of unfair competition. If this essential averment, upon which all other parts of the pleading rest in order to bring about liability, were eliminated, nothing would remain stating in any wise any cause of action against defendant. The court had tried the question of infringement and the trial had resulted in a finding that defendant did not infringe. The device which defendant sold was, as the court found and as we agree, not a "Beegle type" iron, as averred, not of the same general appearance as Beegle's iron and not an infringement of Beegle's patent. It was, as we have pointed out, rather a development of the prior art, more

nearly following its teaching than that of Beegle, whose invention, we have seen, must be given the narrow scope of his actual specification. With this essential averment decided upon the merits against plaintiff, there remains nothing in these paragraphs to create a liability.

In Paragraph 14 (e) of Count 3, plaintiff charges that defendant "maliciously interfered" with the contractual relationship between plaintiff and Sharon Supply Company. This conclusion is based ultimately upon averments of fact, one essential element of which is that the Supply Company was infringing and that the Steel Company knew this and took over the assets and liabilities of the Supply Company in order to circumvent a covenant of the latter not to infringe. But to create liability upon this hypothesis, it was necessary for plaintiff to aver and prove further that the circumvention was successfully achieved,—in other words, that the Steel Company did in fact proceed to infringe. But the proof in this respect failed. Hence plaintiff could take nothing by virtue of this paragraph.

Furthermore the court found as a fact in the trial of Count 2, where the same issue was presented, that the Steel Company had no knowledge of any alleged infringement by the Supply Company and did not assume any of the liabilities of the latter. An examination of the evidence is convincing that it amply sustains the finding. It follows that the court had before it nothing to support a finding for plaintiff on this paragraph.

Paragraph 14 (f) of Count 3 avers that the Steel Company is "using the amount of tonnage which it ships on the railroads as a means of selling anti-splitting irons" and thereby has achieved commercial success. This is said to be unfair competition, yet absent are all averments that anything defendant did was of unlawful character or of facts constituting wrongful action upon defendant's part. If plaintiff hoped to succeed, it behooved it to state sufficient facts to constitute a valid cause of action. This it failed to do.

In Count 4 plaintiff charges violation of the Anti-Trust Act (15 U. S. C., Section 20, Par. 15), averring specifically that defendant "by using its large volume of freight haul as a club to coerce purchases of anti-splitting irons from itself, in an amount in excess of \$50,000.00 a year, has compelled the Pennsylvania Railroad to purchase irons exclusively from the defendant, * * * without open bidding

on each other” and that thereby plaintiff has been deprived from receiving the business of the Pennsylvania Railroad Company. Under Section 20 * Congress forbids a railroad from purchasing, without open bidding, maintenance goods of a value in excess of \$50,000 from any corporation having upon its Board of Directors or as an officer, manager or agent, any person who is at the same time a similar director, manager, officer, or agent of the railroad company. The statute creates no liability unless such an interlocking director or agency relationship exists. Inasmuch as plaintiff made no averment of such relationship, the count was deficient as a statement of a cause of action and the court properly entered judgment thereon in favor of defendant.

Plaintiff urges that the second paragraph of Section 20, which fixes criminal responsibility for violation of the Act, creates also a cause of action, if open bidding is prevented, irrespective of whether an interlocking relationship exists. We think this construction unjustified. Statutory remedial causes of action must find express basis in congressional act; they do not arise by implication from a provision for a criminal penalty.

In Count 5 plaintiff charged defendant with violation of Sections 15 and 18, Title 15 U. S. C. in that, prior to the fall of 1936, defendant was in competition with Sharon Railway Supply Company in the sale of anti-splitting irons; that it then acquired all the stock of the Supply Company and dissolved that corporation, so that competition was lessened and even eliminated, whereby plaintiff “is given a cause of action.” By amendment plaintiff averred, in

* SECTION 20: No common carrier engaged in commerce shall have any dealings in securities, supplies, or other articles of commerce, or shall make or have any contracts for construction or maintenance of any kind, to the amount of more than \$50,000, in the aggregate, in any one year, with another corporation, firm, partnership, or association when the said common carrier shall have upon its Board of Directors or as its president, manager, or as its purchasing or selling officer, or agent in the particular transaction, any person who is at the same time a director, manager or purchasing or selling officer of, or who has any substantial interest in, such other corporation, firm, partnership, or association, unless and except such purchases shall be made from, or such dealings shall be with, the bidder whose bid is the most favorable to such common carrier, to be ascertained by competitive bidding under regulations to be prescribed by rule or otherwise by the Interstate Commerce Commission. No bid shall be received unless the name and address of the bidder or the names and addresses of the officers, directors and general managers thereof, if the bidder be a corporation, or of the members, if it be a partnership or firm, be given with the bid.”

addition, that plaintiff "is attempting to monopolize and" has done a great deal toward monopolizing the anti-splitting iron business of the United States. The court found, not only as to this count but upon the merits as to Count 2, where the issue was squarely presented, that the relationship between the Steel Company and the Supply Company was not that of competitors; that the evidence established, beyond peradventure, that there was in fact no competition between the Steel Company and the Supply Company; that defendant manufactured no tie irons prior to the purchase of the Supply Company and that, eventually, the Steel Company purchased from the Supply Company its assets but assumed none of its liabilities, with a resulting loss of capital investment to the stockholders of the Supply Company, which was then in failing condition. The evidence before the court, produced by the plaintiff itself, could reasonably lead to no other finding and the court properly, therefore, rather than enter into a long extended trial where plaintiff would be unable to prove one of its essential averments, entered summary judgment. *Abouaf v. Spreckels*, 26 Fed. Supp. 830.

Furthermore, as we pointed out in *American Press v. U. S.*, 245 Fed. 91 (CCA7), a firm closing out its business because of financial difficulties may sell its plant even to a competitor without violating the Anti-Trust Law. See also *International Shoe Co. v. Federal Trade Commission*, 280 U. S. 291.

However, the District Court need not have proceeded so far in justification of its action in dismissing this count. Section 15, allowing private parties treble damages for injury accruing to their business from violation of the Anti-Trust Act, embraces, as one of the essentials to such action, injury to plaintiff's business. The complaint must affirmatively show this injury. It is not enough to allege something forbidden and claim damages resulting therefrom. Allegation of the specific injury suffered by plaintiff differing from that sustained by it as a member of the community is essential. The manner, nature, character and extent of the injury sustained and the facts from which injury accrues and upon which damages may be assessed as well as those with regard to the effect of the alleged violation upon plaintiff's business, must be pleaded. The mere existence of a violation is not sufficient *ipso facto* to support the action, for no party may properly seek to

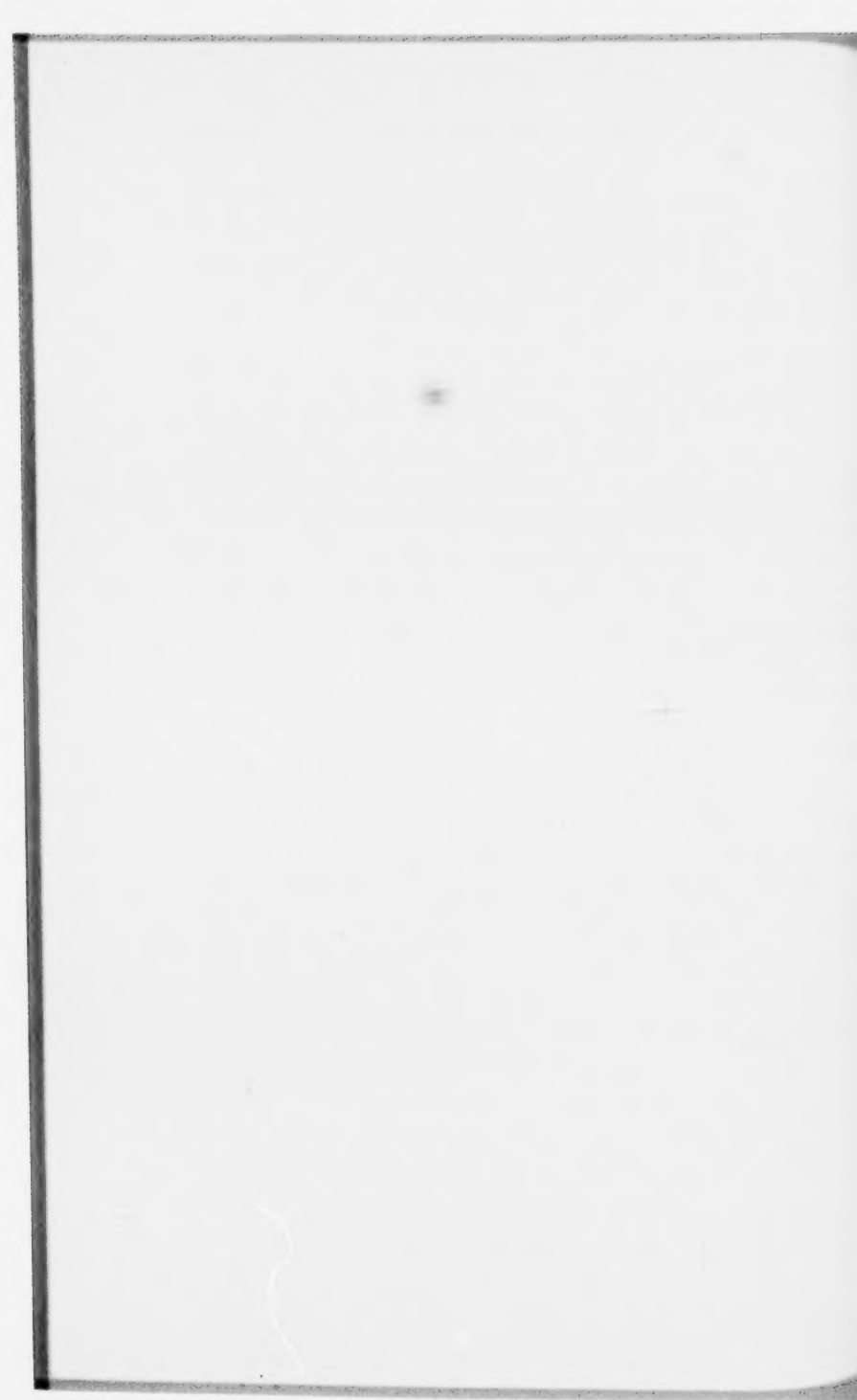
secure something from another without allegation and proof of facts demonstrating pecuniary loss springing from or consequent upon the unlawful act. *American Banana Co. v. United Fruit Co.*, 213 U. S. 347; *Keogh v. Chicago, etc., R. Co.*, 271 Fed. 444 (CCA7), aff 260 U S. 156; *Jack v. Armour*, 291 Fed. 741 (CCA8); *Twin Ports Oil Co. v. Pure Oil Co.*, 119 Fed. (2d) 747, cert. denied 314 U. S. 644; *Westmoreland Asbestos Co. v. Johns-Manville Corp.*, 30 F. Supp. 289; 32 F. Supp. 731; *Locker v. American Tob. Co.*, 218 Fed. 447; *American etc. Co. v. O'Halloran*, 229 Fed. 77; *Leonard v. Socony-Vacuum Oil Co.*, 42 F. Supp. 369; *Louisiana Farmers' Protective Union v. Great Atlantic & Pacific Tea Co.*, 40 F. Supp. 897. Inasmuch as the count embraced no such essential averments the court properly entered judgment dismissing it.

Nor does the bill of particulars remedy this lack of averment, for it, too, is singularly lacking in recital of any facts sufficient to sustain an averment of injury to plaintiff's business.

The judgment is

AFFIRMED.

Endorsed: Filed November 6, 1943. Kenneth J. Car-
rick, Clerk.



MAY 8 1944

CHARLES ELMORE GROPLEY
CLERK

IN THE
Supreme Court of the United States

OCTOBER TERM, A. D. 1943.

No. 817

RAYMOND E. BEEGLE, DOING BUSINESS AS BEEGLE
TIE SERVICE COMPANY,

Petitioner,

vs.

CLAUDE A. ROTH (SUBSTITUTED FOR CHARLES M. THOM-
SON), AS TRUSTEE FOR CHICAGO & NORTH WESTERN RAIL-
WAY COMPANY, AND SHARON STEEL CORPORATION,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES
CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

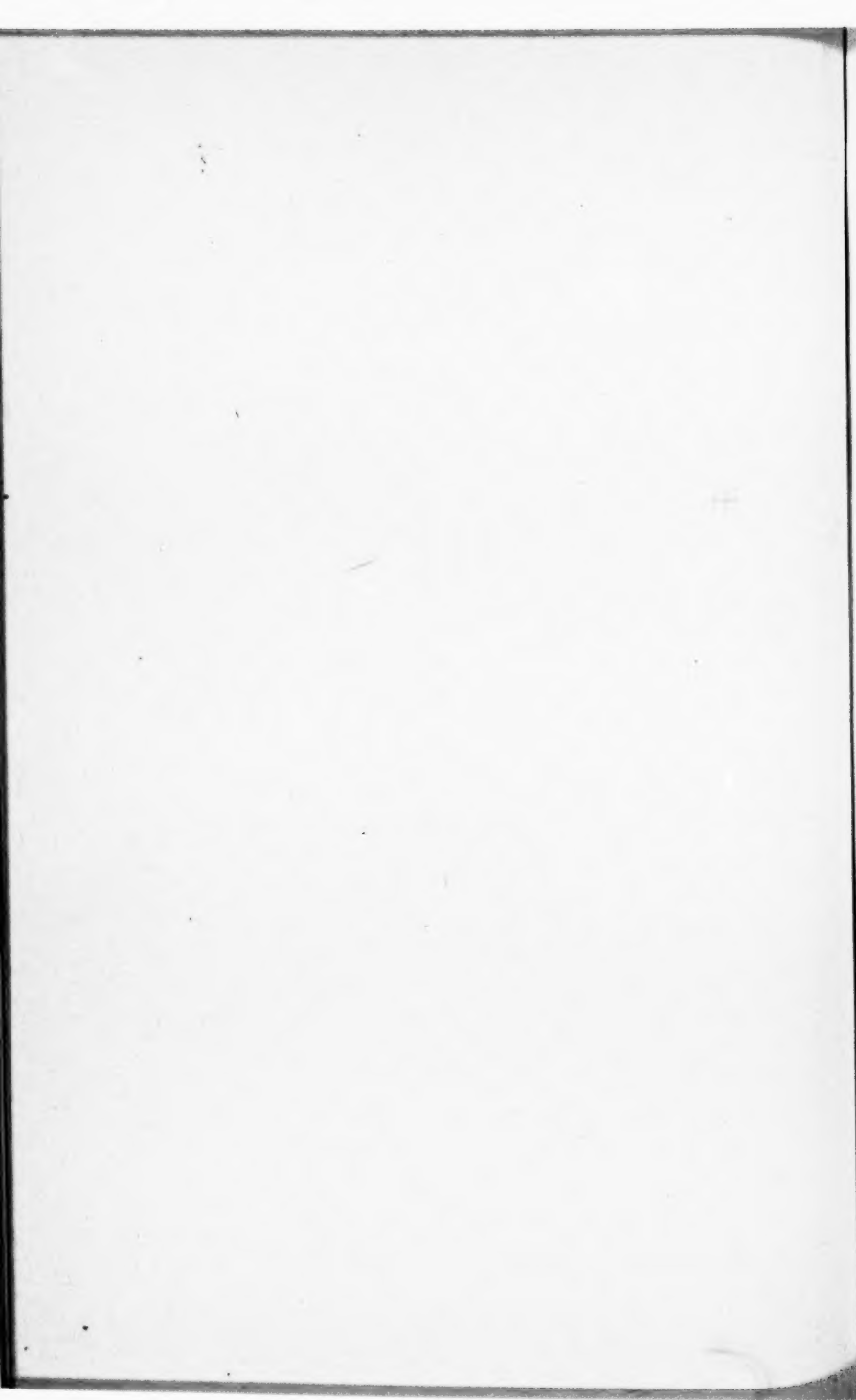
REPLY BRIEF OF PETITIONER.

MAX W. ZABEL,

Attorney for Petitioner.

WILFRED S. STONE,

Of Counsel.



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REPLY BRIEF OF PETITIONER.

Petitioner notes that respondent¹ has placed the trial judge's Memorandum Opinion and the Findings of Fact in sequence in the Appendix of its brief so that the two can be conveniently compared. Petitioner hopes that your

1. "Respondent" means Sharon Steel. The respondent Roth is liable only if the patent is valid and infringed under Count I. His liability is to be handled in answering Question 6 (Pet. 24, 30 and 54).

honors will compare the trial judge's statements on pages 33 and 34 of Respondent's Brief with the Findings of Fact and Conclusions of Law which he subsequently signed,—Findings of Fact 2a, 5a, 5b and 13a having been added at petitioner's request. This comparison will show that some twenty Findings of Fact are conclusions and find no basis in the trial judge's decision. These Findings of Fact were not considered of sufficient importance by the trial judge to mention in his disposition of the case. They were written by respondent's counsel and approved as submitted by the trial judge. They tend to make the case irreversible.

Yet it is principally in reliance upon *these* Findings of Fact that respondent asks your honors to deny the Petition for Certiorari.

**Respondent's Brief Justifies Granting
Certiorari on Reason 5, Question 5¹:**

As to Question 5, the petitioner and respondent are clearly at an issue of law. They do not misunderstand each other,—for the respondent contends that if it is bound by the Settlement Agreement, still the construction of the claims of the patent in suit is a "question of infringement" and not dependent upon the understanding of the parties to the Settlement Agreement as to the scope of the claims acknowledged by them to be valid (Res. Br. p. 16). The Seventh Circuit Court of Appeals agreed with the respondent (R. 1165, Par. 2), for it held that prior art not considered by the Patent Office or the parties at the time when they were incorporating the acknowledgment of validity into the Settlement Agreement could be used to narrow the claims and vitiate the acknowledgment of validity. Petitioner contends that the true rule is that the

1. Pet., pp. 29, 46 and 24.

understanding of the parties as to the scope of the claims at the time they incorporated the acknowledgment of their validity into the Settlement Agreement controls.

Whether petitioner's position is "utterly unsound" or "obviously repugnant to common sense" or "very absurd * * *", as contended by respondent (Res. Br. p. 16), is not an issue on this Petition for Certiorari. We are solely interested in knowing whether or not another Circuit Court of Appeals applied the rule for which the petitioner contends.

In the recent decision of *Nachman Spring-Filled Corp. v. Kay Mfg. Co.*, 139 F. (2d) 781, 59 USPQ 349, CCA 2d (Nov. 1943), the Second Circuit Court of Appeals declined to interpret patent claims so as to vitiate an acknowledgment of validity contained in a contract,—saying that the defendant cannot escape "the obligations of its agreement, by adopting contrivances which any mechanic skilled in the art would recognize at a glance would be obvious substitutes for those disclosed in the claims."

Comparing the patented and presently accused devices shown on page 10 of the Respondent's Brief, "any mechanic skilled in the art would recognize at a glance" that the accused device was an "obvious substitute" for the patented device. But the Seventh Circuit Court of Appeals read "L-hook" into "terminal", "angular member", "angulate member" and "primary terminal" of claims 1, 2, 3 and 4 respectively of the patent *in suit as if there had been no acknowledgment of the validity of the claims in the form in which they were written*. This is exactly what the Circuit Court of Appeals for the Second Circuit declined to do in the Nachman case, and this truth is not impaired by the fact that the contract in the Nachman case may have contained illegal clauses. Such clauses are not in the Settlement Agreement here.

Rule of this Court 38, 5(b) clause 4, does not require that Question 5 be "important". Impairing the obligation of contract, however, is important.

**Respondent's Brief Justifies Granting Certiorari
on Reasons 4 and 2, Question 3¹:**

Under this Reason 4, petitioner contends that the respondent was a joint adventurer with the Sharon Railway Supply Company in getting the infringing order in 1935 which became the subject of the Settlement Agreement and that respondent is bound by the Settlement Agreement even though it did not execute it or know anything about it. In this matter, the trial judge has found for the respondent on the facts for he said in his Memorandum Opinion at R. 985-986, "It is highly probable * * * that the defendant Sharon Steel Corporation assisted Sharon Railway Supply Company, Inc. in getting the much discussed order of 1935 for tie irons from the Pennsylvania Railroad," and this was carried into Finding of Fact 13a (R. 990) at petitioner's request. The Findings of Fact are not more explicit, but the fact statements of the Petition commencing with the second paragraph on page 7 through line 8 of page 9, correctly show that not only was respondent engaged in a joint enterprise with the Sharon Railway Supply Company in getting the Pennsylvania Railroad business, but the two were engaged in a joint enterprise in getting the tie iron business of other railroads.

The facts being as they are, what does Pennsylvania law decide as to the liability of the respondent? Outside of saying that *Nolan v. Doyle*, 338 Pa. 398, 13 Atl. 2d 59 (1940) is not in point, a conclusion which petitioner will leave to your Honors without further discussion, respondent makes little attempt to relieve itself of liability as a joint ad-

1. Pet., pp. 28, 27, 43, 37, and 23.

venturer. The fact statements on page 21 of respondent's brief are wrong,—see Misstatements 10 to 13, *infra*, pages 17, 18.

The statements in the second to the last paragraph on page 20 of Respondent's Brief are not understood. The granting of certiorari on Reasons 4 and 2 is not dependent upon conflicting decisions of other circuits or supreme courts, see Rule of this Court 38, 5(b) clause 2. Reason 4 stands or falls on whether or not the Supreme Court of Pennsylvania would probably find that the facts set forth by the trial judge in Finding of Fact 13a and other facts constitute a joint adventureship with consequent liability upon the respondent.

**Respondent's Brief Justifies Granting
Certiorari on Reason 1, Question 1¹:**

Respondent avoids petitioner's contention that the Motion for Summary Judgment with respect to damages resulting from respondent's using tonnage to get petitioner's customers and create a monopoly was wrongfully granted. Respondent does this by pretending that Reason 1 and Question 1 are confusing.

Petitioner's principal Brief makes the following clear. Petitioner took the testimony of Hetu, Howard Wellman, George Wellman, Jones, Shaughnessy, Gray, Lamneck and Owen for the purpose of showing that respondent had knowledge of the Settlement Agreement at the time that it took over the Sharon Railway Supply Company. In the course of taking these depositions, petitioner learned that the respondent had injured the Sharon Railway Supply Company by using tonnage to get its biggest customer, the New York Central. There was also a pretty clear inference that the respondent got the Pennsylvania Railroad account from petitioner by the same method. Peti-

¹ Pet., pp. 25, 31, 22.

tioner then made some investigations in Chicago and amended its Bill by adding paragraph 19 to the Complaint under Count V.

Testimony as to this charge was excluded at the trial of Part 1. On December 29th, concurrently with filing the Motion for Summary Judgment, respondent requested a Bill of Particulars, (R. 955) which was filed on January 22, 1942 (R. 956). *Instead of amending the Motion for Summary Judgment to cover the matter set forth in the Bill of Particulars, paragraph 20 of the Complaint, respondent answered and denied the charges (R. 957). Paragraph 20 of the Complaint never really came within the scope of the Motion for Summary Judgment. It would seem that this act of answering the charges would constitute an election so far as Count V is concerned, which election would prevent granting the Motion for Summary Judgment on this second cause of action in Count V.*

At the time of the trial judge's Memorandum Opinion, January 28, 1943, therefore, petitioner not only had not had any opportunity to introduce any evidence on the monopoly charge of Count V, but had never even had an opportunity to make an offer of proof.

The trial judge granted the Motion for Summary Judgment on the ground that the petitioner "has no possibility of establishing the case he pleads * * *." This is not a valid ground for granting a Motion for Summary Judgment when the parties have joined issue on a question of fact.

The Seventh Circuit Court of Appeals recognized this, but as to Count V, became confused because Count V contains two causes of action. Upon returning from the taking of the depositions in Texas, petitioner's counsel decided that there was enough evidence of respondent's having deliberately taken or concealed its absorption of

the Supply Company under the guise of a sale in order to avoid the Settlement Agreement and again test the patent by selling the Pennsylvania Railroad, to warrant a charge in the Complaint. Petitioner therefore added paragraphs 17 and 18, Count V, to the Complaint, which charged that the respondent *intentionally* took over the Supply Company so as to reduce competition and destroy the value of petitioner's Settlement Agreement with the Supply Company.

Thereafter, petitioner added paragraph 19 to Count V which charges that the respondent uses tonnage to get the Chicago & North Western Railroad and the Burlington Railroad tie iron accounts away from the petitioner in order to get a monopoly,—a second cause of action.

The Seventh Circuit Court of Appeals noting that the trial judge found in his own Memorandum Opinion that respondent had no knowledge of the Settlement Agreement, found that paragraph 18, requiring actual intent to avoid the Settlement Agreement, could not be sustained,—and apparently affirmed the trial judge on the merits.

But the Seventh Circuit Court of Appeals then went ahead and decided that the allegations of paragraph 18, (and inferentially Count V's monopoly cause of action in paragraphs 19 and 20 although not mentioned) were not sufficiently definite to support a cause of action.

Petitioner has formally abandoned Count V, paragraph 18. This leaves Count V, paragraphs 17, 19 and 20, and the question is whether or not these paragraphs taken with the Complaint as a whole, including paragraphs 15 and 16 of Count IV, are sufficiently definite to state a cause of action under the Sherman and Clayton Acts. This is squarely presented by Question 1 (Pet., p. 22) and Reason 1 (Pet., pp. 25 and 31).

The respondent has made no attempt to answer Reason

1. On pages 31 through 36, petitioner argues that paragraphs 17, 19 and 20 are sufficiently definite to state a cause of action under the old rules, and a fortiori under the new rules and cites cases to support the position. The respondent, on pages 23 to 28 of its brief, seems to rely on the Findings of Fact which it wrote in support of Count V and does not consider whether or not paragraphs 17, 19 and 20 are sufficiently definite to state a cause of action. The case of *Federal Trade Commission v. Wough Equipment*, 15 Federal Trade Commission Decisions, 232 at 245 is distinguished on the ground that there were "positive promises or assurances of increased traffic and threats of withdrawal of traffic." *The evidence showed that there were such promises,—it was not alleged in the bill.*

The respondent has seventy-five per cent of the United States tie iron production and respondent would like to show why. A reading of the Record from R. 995 to R. 1015 will throw some light on what petitioner can prove.

Respondent's Brief Justifies Granting

Certiorari on Reasons 3 and 2, Question 2¹:

Respondent seeks to avoid petitioner's contention that the elements of the transfer of assets from the Sharon Railway Supply Company to respondent constitute a merger under Pennsylvania law by saying that the trial court found as a fact that "There was no merger of the two companies *de facto* or otherwise" (Finding of Fact 14). *This is not a statement of fact,—this is a statement of law. The respondent cannot preclude this court from finding out whether the facts establish a merger under Pennsylvania law by having a trial judge find no merger and then by declining to incorporate the actual facts into the formal Findings of Fact.*

¹ Pet., pp. 28, 27, 37, 23.

The facts as to this transaction are correctly detailed on pages 9, 10 and 11 of the Petition,—indeed, so correctly that the only criticism that respondent could make of them relates to a formal entry of “Goodwill” appearing in the Sharon Railway Supply Company balance sheet. This is explained *infra* in Misstatement No. 9 at page 16. The facts are clear and sensible. Jones and Shaughnessy first entered into an oral contract to convey the assets to respondent, which in the course of carrying out the contract got control of the Supply Company, dissolved it, and continued the business itself. The cases of *Commonwealth v. Merchants National*, 323 Pa. 145, and *Helvering v. Metropolitan Edison Co.*, 306 U. S. 522 are in point. Respondent’s disposition of these cases on page 20 of its brief is so abbreviated that one cannot determine what respondent thinks of the cases. *Daily’s Estate*, 323 Pa. 42, finds a sale on certain specific facts but does not deviate from correct legal principles.

Respondent’s Infringement Argument Ignores the Claims:

Respondent devotes pages 8 to 14 of its brief to an infringement argument in which the claims of the patent are ignored. The claims of the patent read in terms, *i. e.*, giving the words their ordinary meaning,—on the accused devices. Each of the four claims call for a body portion and diverging arms with terminal elements,—all possessed by the accused devices. The four claims differ from each other primarily in the way in which they describe these terminal elements. Claim 1 says “relatively short, inwardly directed terminal” on one of the arms; claim 2, “inwardly directed angular member”; claim 3, “angulate member”; and claim 4, “inwardly directed primary terminal.” Each of the accused devices has a crinkle or angulate member at the end of each arm, just like Figure 4 of the patent, excepting that the accused devices have

these crinkles throughout their length and the angle of the crinkle is closer to 125° than to 90° . The accused devices are not wavy as shown in Ex. C. C. C.,—**They are crinkled, i. e., angular.** The respondent submits that “angular member” or “angulate member” exactly describes an end crinkle on the accused devices, and points out that claims 5 and 6 of the patent call for “L shaped terminals” which would indicate that “angular member” and “angulate member” of claims 2 and 3 cover more than just right angle or L hook terminal. This seems obvious. Claims 2 and 3 are infringed in terms, and it is believed that claims 1 and 2 are likewise.

The Seventh Circuit Court of Appeals read into all four claims “L hook” terminal, and as the accused device’s end crinkles are not ninety degrees but 125° ,—no infringement. Did the Circuit Court of Appeals rightfully do this?

**The Findings of Fact in this Case are
Entitled to no Weight:**

Petitioner’s counsel hopes that this petition is granted if for no other reasons than to give an opportunity to argue Question 10 (Petition, p. 25) which reads:

“Question 10: Should Findings of Fact prepared by respondent Sharon Steel’s counsel and merely approved by the trial judge be accorded the benefits of the third sentence of Rule of Civil Procedure 52(a) in view of the first sentence of Rule 52(a)?”

Respondent resists the Petition for Certiorari primarily on the ground that all of the Findings of Fact are in favor of the respondent. It similarly relied before the Circuit Court of Appeals which honored the Findings of Fact. Yet these Findings of Fact do not represent the thinking of the trial judge at all. On the contrary, the Findings of Fact now relied upon were not mentioned by the trial judge in his own opinion and were not considered by him necessary to reach his decision. These Findings of Fact

were prepared by respondent's counsel after a favorable decision and were simply approved by the trial court in the exact form in which they were finally submitted by the respondent's counsel.

The question for our present consideration is whether or not Findings of Fact 5, 6 through 11, those parts of 12 and 13 not found in the Judge's Memorandum Opinion, 14, 15, and 17 through 26, are entitled to the benefits of the third sentence of Rule of Civil Procedure 52(a). The Petitioner submits that they are not.

The theory of Rule 52(a) is based upon the desirability of having a trial judge make his own findings of fact because they will truly represent his own thinking and be non-partisan, and thereby assist an appellate court which will not have to review an entire record to ascertain the facts. The trial judge may be wrong on the application of the law to the facts but if he can make a fair statement of the facts, then the appellate court will be able to limit its attention solely to applying the "right" law to the facts. The theory of Rule 52(a) is not to enable a trial judge to defeat reversal of his decision by approving facts that are manifestly not his own and ergo not to permit counsel for the winning side to defeat a reversal by getting the judge to approve findings of fact not founded on the record.

More specifically, the question is: is the approval of Sharon's Steel's Findings of Fact by a trial judge equivalent to the preparation of findings of fact by the trial judge himself under Rule 52(a)?

The first sentence of Rule 52(a) says:

"In all actions tried upon the facts without a jury, *the court* shall find the facts specifically and state separately its conclusions of law thereon and direct the entry of the appropriate judgment;"

This duty is imposed on the judge in order that findings of fact will not be subsequently adopted to bolster the judge's decision.

The first sentence of Rule 52(a) is mandatory, and while it may be that the procedure followed in the present case is permissible, still if this procedure is followed, then the findings of fact are not entitled to the benefits of the third sentence of Rule 52(a) because the first sentence of that rule was not complied with.

The Circuit Court of Appeals for the Second Circuit was confronted with exactly the situation occurring in this case, for the trial judge had mechanically signed Findings of Fact subsequent to his rendering judgment. The court pointed out the evils of this practice. The full statement is here set forth:

U. S. v. Forness, 125 F. 2d 928, C. C. A. 2d (1942).

At 942: "We have recently asked for 'brief and pertinent findings of contested matters * * * rather than the delayed, argumentative, over-detailed documents prepared by winning counsel.' *Matton Oil Transfer Corp. v. Tug Dynamic*, 2 Cir. Dec. 1, 1941, 123 F. 2d 999, 1001. Otherwise, we lose the benefit of the judge's own consideration. *In the instant case, a comparison of the findings with the opinion seems to show that the findings proposed by the defendants were mechanically adopted, without consequence that some of the findings made by the district court are not supported by the evidence and not substantially in accord with the opinion.* Such a result can usually be avoided by following what we believe is the better practice of filing findings with the opinion, *when the evidence is still fresh in the mind of the trial judge*, and permitting the parties to file objections under Federal Rules of Civil Procedure, rule 52(b). See *Matton Oil Transfer Corp. v. Tug 'Dynamic,' supra*.

"We stress this matter because of the grave importance of fact-finding. The correct finding, as near

as may be, of the facts of a law suit is fully as important as the application of the correct legal rules to the facts as found. An impeccably 'right' legal rule applied to the 'wrong' facts yields a decision which is as faulty as one which results from the application of the 'wrong' legal rule to the 'right' facts. The latter type of error, indeed, can be corrected on appeal. But the former is not subject to such correction unless the appellant overcomes the heavy burden of showing that the findings of fact are 'clearly erroneous.' Chief Justice Hughes once remarked, 'An unscrupulous administrator might be tempted to say "Let me find the facts for the people of my country, and I care little who lays down the general principles."' That comment should be extended to include facts found without due care as well as unscrupulous fact-finding; for such lack of due care is less likely to reveal itself than lack of scruples, which, we trust, seldom exists."

The duty of the trial judge to make his own findings of fact as required by the first sentence of Rule 52(a) is set forth on pages 316 and 317 of

Federal Rules of Civil Procedure and Proceedings of the American Bar Association Institute, Cleveland, 1938,

where we read at 317:

"So if you look at this reasonably and test this system by the practice that has been followed where it is in force, you find it works out very satisfactorily. There are judges who are like juries; they will render a general verdict on general principles, but if you pin them down to a special finding on particular facts, you have them on the spot, and it prevents a judge of that disposition, in a particular case, from avoiding facing the evidence in the case as he ought to do."

Petitioner therefore submits that Findings of Fact 5, 6, 7, 8, 9, 10, 11, parts of 12, parts of 13, 14, 15, and 17 through 26 are not entitled to the benefits of the third sentence of Rule 52(a).

Principal Misstatements Contained in Respondent's Brief:

Misstatement No. 1 (Res. Br. 10):

"This Exhibit CCC admittedly illustrates *correctly* Exhibit 83 iron * * *." Wrong. At R. 511: "Mr. Lindsey. And I wonder if you and I could agree, Mr. Stone, that it is *fairly* typical of Sharon's special iron accused. * * * Mr. Stone. That is right." Ex. CCC shows the accused iron's crinkles as sinusoidal or wavy. In fact, they are not. *The crinkles of the accused devices are angular and the end crinkles furnish real terminal holding power.* The physical exhibits have not been forwarded to Washington with the Petition. An accused iron picked up at random accompanies the first copy of this brief.

Misstatement No. 2 (Res. Br. 3):

"By agreement of the parties (Finding 4, *infra* 36) the cause was separated into two parts * * *." Wrong. The court order of December 5, 1941 (R. 225) reads: "—on motion of the Court, and there being no objection by counsel for the Plaintiff and counsel for the defendants, cause divided into two sections * * *."

Misstatement No. 3 (Res. Br. 3):

"Before the Trial of Part 1, plenary proofs had been taken on all of the Counts before the case was separated into two parts * * *." Wrong. All pre-trial depositions were completed by November 11, 1941, (R. 64, 83, 99, 112, 46, 185, and 230). Par. 14 f of Count III being the tonnage, unfair competition charge, all of Count IV, and the first cause of action of Count V were filed on November 14, 1941 (R. 157). The second cause of action of Count V, paragraph 19, was filed on December 5, 1941 (R. 224-225). Count V, paragraph 20 was filed January 22, 1942 (R. 956).

Misstatement No. 4 (Res. Br. 5):

"The District Court in finding no infringement stated the two irons are different in structure and different in principle and operation." This statement was written by respondent's counsel and approved by the trial judge. The trial court said "Plaintiff's patent clearly teaches a construction of tie iron having as its principal feature inwardly directed terminals constructed to readily interlock with like terminals on similar irons. * * * This teaching is not followed in the defendant's accused irons."

Misstatement No. 5 (Res. Br. 8):

"The fundamental question of infringement, which controls the disposition of the majority of the questions, is obscured by being treated last in petitioner's order." Misleading! The accused devices infringe all four claims in suit when the words of the claims are given their ordinary meaning. Both respondent and the Seventh Circuit Court of Appeals read into the claims "L-hook". This construction may be permitted if all prior art is available despite the Settlement Agreement. Petitioner contends that the Settlement Agreement forbids this and therefore initially attempts to show who is bound by the Settlement Agreement and to what extent.

Misstatement No. 6 (Res. Br. 9):

"The issue of infringement has been conclusively determined by the concurrent Findings of the District and Appellate Courts, * * *" Misleading. The trial court held that the claims in suit related to interlocking irons, although claim 7 which mentions interlocking was abandoned (Finding of Fact 2a, R. 988), and then, *mirabile dictu*, held that the accused devices did not interlock although he himself pointed out that they did interlock at the trial (R.

405). The Seventh Circuit Court of Appeals found no infringement because it read "L-hook" terminal into each of the claims.

Misstatement No. 7 (Res. Br. 14):

Petitioner has apparently abandoned the claim for relief for alleged breach of the Settlement Agreement." Wrong. See Reason 6, Pet. p. 29, 50 directed to Count II.

Misstatement No. 8 (Res. Br. 19):

After quoting Finding of Fact 14 which states the conclusion that "there was no merger of the two companies *de facto* or otherwise", respondent says "the Appellate court (*infra* 48) said as to the issues involved in Count II that 'An examination of the evidence is convincing that it amply sustains the finding'." This is very misleading. In making the statement Judge Lindley was referring to paragraph 14e of Count III which is dependent upon knowledge of the Settlement Agreement by the respondent. Judge Lindley did not in any way approve any Finding of Fact that there was no merger here. On the contrary, he assumed in disposing of Count II that respondent was bound by the Settlement Agreement. He did not consider the effect of respondent's being bound by the Settlement Agreement on Count I.

Misstatement No. 9 (Res. Br. p. 19):

Respondent says that petitioner's statement "The findings and the record are indisputable that respondent Sharon Steel * * * got all of the good will of the Sharon Railway Supply Company" is "not true * * *." Petitioner's statement is true. The stipulation at R. 143 says nothing as to what constitutes good will. If the court will look at R. 565, it is quite apparent that good will was nothing but an item to offset a \$10,000 capital stock entry. The good

will of the company is represented by the accounts receivable of \$4,415.77 and the unfilled orders and the prospects of getting future business from the Sharon Railway Supply Company customers. This is the good will and Sharon Steel got all of it.

Misstatement No. 10 (Res. Br. p. 21):

"There is nothing in the record showing that Sharon Steel got the Supply Company's order in 1935 for the Pennsylvania Railroad." At the bottom of Ex. 28 (R. 635) on the quotation letter there appears, "Sharon Steel Hoop Co. reply to telegram your office 2-26",—to mention only one instance. The trial court found that the respondent did assist in getting the order.

Misstatement No. 11 (Res. Br. p. 21):

"It is not true that Sharon Steel and the Supply Company jointly submitted a crinkled C iron to the Pennsylvania Railroad in 1935." The letters Exhibits M and O-1 (R. 813) are to the contrary.

Misstatement No. 12 (Res. Br. p. 21):

"It is not true that Sharon Steel financed the insolvent Supply Company." The auditor for the Sharon Railway Supply Company said, "As mentioned on several previous quarterly statements, there is no working capital, the company being financed by one large creditor", Ex. 18, (R. 620). Mason Evans, respondent's treasurer, at the trial said:

"Q. Now, did you mean in that answer that you were actually furnishing any money to the Sharon Railway Supply Company to finance it?

A. Not at all.

Q. What did you mean?

A. It simply was the dollar equivalent of material to permit them to fabricate."

Misstatement No. 13 (Res. Br. 21):

“Finally, it is not true that Sharon Steel profited from the sale of tie irons by the Supply Company as implied by petitioner’s counsel.” Petitioner does not so imply,—petitioner so states. So did Joseph Jones in explaining why the respondent helped the Sharon Railway Supply Company:

“Q. Yes, they were helping us, of course, because they were in the steel business. The more steel sold the better it was for him (McBride).” (R. 123)

Respectfully submitted,

MAX W. ZABEL.

WILFRED S. STONE,
Of Counsel.

Received five copies of the foregoing Reply Brief this
5th day of ~~April~~, 1944.

May

HARRY W. LINDSEY, JR.,
*On behalf of all attorneys for
all defendants.*



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No. 817

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CHARLES ELMORE OROPLEY
CLERK

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM A. D. 1943

RAYMOND E. BEEGLE, doing business as
BEEGLE TIE SERVICE COMPANY,

Petitioner,

vs.

CHARLES M. THOMSON, as Trustee for CHI-
CAGO & NORTH WESTERN RAILWAY
COMPANY, and SHARON STEEL COR-
PORATION,

Respondents.

On Petition for Writ
of Certiorari to the
United States Cir-
cuit Court of Ap-
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enth Circuit.

REJOINDER BRIEF FOR RESPONDENTS.

HARRY FREASE,

Harter Bank Bldg., Canton, Ohio,

Counsel for Respondents.

HARRY W. LINDSEY, JR.,

CHARLES L. HOWARD,

EMRYS G. FRANCIS,

JOSEPH FREASE,

Of Counsel.







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REJOINDER BRIEF FOR RESPONDENTS.

Nothing in the Reply Brief of Petitioner on Questions 1 to 7, reargued as in the Brief in Support of Petition, requires any Rejoinder from the Respondents. Petitioner's arguments on these questions are fully answered in the Brief for Respondents. The so-called "Misstatements" set forth in pages 14 to 18 of Petitioner's Reply Brief, are not misstatements but are correct statements, as shown by the very Record References given by the Petitioner in each instance.

QUESTION 10.

Petitioner failed to argue his Question 10 in his Petition and Main Brief, but now in his Reply Brief and, contrary to the Rules of this Court, argues this Question. We limit this Rejoinder Brief to a discussion of Question 10, which is as follows (Petition, p. 25):

“Should Findings of Fact prepared by respondent Sharon Steel’s counsel and merely approved by the trial judge be accorded the benefits of the third sentences of Rule of Civil Procedure 52(a) in view of the first sentence of Rule 52(a)?”

In the first place, we would point out that there is *nothing* in the Record before this Court in any way justifying the Question. The Record does *not* show that any Findings proposed by Respondent’s counsel were approved by the District Court. This is possibly one reason Petitioner’s counsel waits to argue the Question in his Reply Brief. We do not deny that both parties submitted Findings of Fact and that the District Court, after due deliberation and in the light of an eleven page brief filed by Petitioner’s counsel with respect to Respondents’ proposed Findings, and a twelve page brief filed by Respondents’ counsel with respect to Petitioner’s proposed Findings, adopted as its own, some of Respondents’ proposed Findings and some portions of Petitioner’s proposed Findings.

Several admissions in Petitioner’s Reply Brief itself fully answer Question 10 in the affirmative, as follows:

“These Findings of Fact * * * were written by respondent’s counsel and *approved* as submitted by the trial judge. *They tend to make the case irreversible.*” (P. R. B. p. 2.)*

After admitting that the trial judge “*approved*” the Findings of Fact, and that the “*Court of Appeals * * * honored the Findings of Fact*” (P. R. B. p. 10); it is somewhat presumptuous to say that “*these Findings of Fact do not represent the thinking of the trial judge at all.*” (P. R. B. p. 10.)

Petitioner’s wishful thinking ignores the fact that “Exhaustive briefs were filed by the parties” (Finding 4, R. 989) and also the even more important fact that the Dis-

*Italics ours.

trict Court in the last paragraph of its Memorandum, directed that—

“Counsel for the defendants may prepare and file with the Court, in writing, within twenty days from the date hereof, proposed findings of fact, conclusions of law, and a draft of a proposed decree, consistent with the views herein expressed, delivering copies thereof to counsel for the plaintiff. Within ten days of the receipt of such copies counsel for the plaintiff may prepare and file with the Court, in writing, his observations with reference thereto and suggestions for the modification thereof, delivering a copy of such observations and suggestions to counsel for the defendants. Within five days thereafter counsel for the defendants may present to the Court, in writing, his reply to such observations and suggestions. Whereupon, the matter of making findings of fact, conclusions of law and a decree herein will be taken by the Court without further argument.” (Brief for Resp. pp. 34, 35; Rec. pp. 986, 987.)

Whereupon, the District Court very promptly made the Findings of Fact and Conclusions of Law (R. 987), and included therein some proposed by Plaintiff and some submitted by Defendants.

U. S. v. Forness, 125 Fed. (2d) 928, C. C. A. 2nd, relied upon by Petitioner, is not in point at all here. The facts in that case were contrary to those in the instant case. In the *Forness* case, the Court adopted the winning counsel's proposed “delayed, argumentative, over-detailed” findings. Some of these were “not substantially in accord with the opinion”. Apparently, the findings were not entered until a considerable time after the opinion was rendered, so that the evidence was no longer “fresh in the mind of the trial judge”. It would seem that the parties were not given an opportunity to file objections to the findings. And the Court did not, as apparently is urged by Petitioner's counsel here, condemn the general practice followed by the Dis-

trict Courts in enlisting the aid of counsel in preparing findings.

Indeed, the Court of Appeals in the portion of its opinion quoted by Respondent's counsel, referred to its previous decision in *Matton Oil Transfer Corporation v. The Dynamic, et al.*, 123 Fed. (2d) 999, 1001, in which the Court, after condemning the mechanical signing of "delayed, argumentative, over-detailed" findings, submitted by winning counsel, specifically said:

"Of course, we do not mean to imply that a trial court is not privileged to seek such aid of counsel, both as to the facts and the law, as it thinks desirable prior to and as a step in decision; or to limit or restrict in any way the procedure for amending or otherwise correcting findings set forth in F. R. C. P. 52(b). Nor do we wish to preclude the trial court from preparing an opinion, for that can be most illuminating and helpful to an appellate court."

We would also point out that the Court of Appeals for the 7th Circuit, in *Process Engineers, Inc. v. Container Corporation*, 70 Fed. (2d) 487, condemned the practice followed and the type of findings adopted in the *Forness* case, but that that Court in *Taylor Instrument Company v. Fee & Stemwedel*, 129 Fed. (2d) 156, pages 160-161, approved the practice, which was followed by Judge Campbell, in having the parties submit opposed findings and in adopting proper findings, even though proposed by the parties.

Likewise, in *Simons v. Davidson Brick Co., et al.*, 106 Fed. (2d) 518, 521, the appellant urged, as does Petitioner here, that the findings of the trial court are entitled to no weight because they were proposed by the appellee, and appellant's counsel cited the *Process Engineers* case to sustain his contention, but the Court of Appeals for the 9th Circuit said:

"We cannot accede to this contention. The fact that opposing counsel has prepared and submitted find-

ings of fact for the consideration of the trial judge, and that such findings of fact may have been adopted by the trial judge as his findings, in no way detracts from their legal force or effect. The characterization of the findings of fact adopted by the trial court as 'appellees' findings of fact' is wholly unwarranted."

It is highly significant that Petitioner's Argument on Question 10 wholly ignores the *independent* fact findings of the Appellate Court, which we deal with fully in our main brief and which were not in any sense proposed by Respondent's counsel or "mechanically" adopted by the Court.

We again respectfully urge that the *concurrent* findings of the District and Appellate Courts establish that Petitioner is without any standing here and that the Petition is wholly without merit and should be denied.

Respectfully submitted,

.....
HARRY FREASE,

Harter Bank Bldg., Canton, Ohio,
Counsel for Respondents.

HARRY W. LINDSEY, JR.,

CHARLES L. HOWARD,

EMRYS G. FRANCIS,

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Received ... copies of the foregoing brief this
day of, 1944.

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Counsel for Petitioner.